

# Self-negotiators

## The Experiences of People in Debt who Negotiate with their Creditors

Prepared for the Money Advice Trust and Money Advice Service  
by the Personal Finance Research Centre, University of Bristol

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## Foreword

Self-help or self-management approaches to improving people's lives have long been used in debt advice – and are increasingly explored in wider social policy contexts such as health. Every year hundreds of thousands of people in financial difficulty deal with their creditors directly, either alone drawing on tools and information that are publicly available, or with the assistance of a debt adviser who will support them through the process. This approach - helping people to help themselves and building their financial resilience in the process – is sometimes referred to as self-negotiation.

We commissioned this research in order to understand more about the lived experience of people who are supported by advice services and go on to negotiate with their creditors themselves. In particular we wanted to know more about the circumstances when self-negotiation works best, the challenges people face, how it impacts on the outcomes people achieve, the value of professional support through the process and how it sets people up to handle their finances in the future.

What comes through clearly from the stories here is that there are factors that influence successful self-negotiation including the types of debts people have, the amount they owe relative to their available income and, perhaps most importantly, their motivation and capacity to deal with their situation. It is also clear that both the advice and credit sectors have a role to play in empowering people and avoiding concepts of there being a 'perfect debtor' or 'perfect creditor'. Communication is pivotal too. Get it wrong, and the process can become protracted and sometimes acrimonious. Get it right, and there is a much better chance of reaching an agreement with creditors.

The report also demonstrates the value of professional support, primarily in giving added weight to people's situations and helping them feel supported. Equally, support helps to give people the knowledge, confidence and self-efficacy they need in order to deal with their debts.

The job for us in the advice sector is to know how to spot what works and when - while responding to the needs and aspirations of people in debt. Our hope is that the research will help guide the advice sector, and creditors alike, in working to support good outcomes for self-negotiators.

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## Executive summary

Self-negotiated payment plans are informal arrangements that do not provide any guarantees or legal protections in terms of enforcement action by creditors or the application of interest and other charges. On the other hand, people value the flexibility and informality offered by these arrangements. In some circumstances, people may have few other options open to them.

Although we do not know how many people self-negotiate and try to manage their problem debt through informal arrangements, it is likely to be many more than manage their debt through formal personal insolvency. This study set out to understand the experiences of self-negotiators who received professional help from National Debtline; the outcomes they achieved; the factors that could make or break successful self-negotiation, and the things that advice services, creditors and self-negotiators themselves could do differently to support good outcomes.

Questions of this type can only be answered satisfactorily through qualitative research, and the research comprised 27 in-depth interviews with self-negotiators from across the UK. The research was funded by the Money Advice Trust and the Money Advice Service.

### **What role does self-negotiation play in people's efforts to sort out their debt problems?**

Our participants generally contacted National Debtline looking for support to self-negotiate with their creditors, with the end goal of either working out debt payment arrangements or sorting out specific debt issues. Often they knew little about the professional help that was available. Common routes to advice included a recommendation from someone they knew or from another advice provider; coming across National Debtline through online searches; or being signposted by one of their creditors.

But this was by no means the first step in their efforts to try and resolve their debt problems. They had already been in contact with some or all of their creditors (some over quite a long period of time), to try and agree mutually acceptable repayment arrangements or sort out specific debt issues. Their prior attempts at negotiation were unsupported by any professional advice service, however, and they had achieved varying degrees of success by the time they contacted National Debtline.

When these participants did speak to National Debtline, they expected or wanted to deal with their debt themselves – as they had already been doing. The help they wanted ranged from ‘pointers’ and ‘tools’ to work out a reasonable repayment offer; information about specific topics like CCJs, liability orders, bailiffs; reassurance about their understanding of things or what they planned to do; and in some cases a sympathetic ear and a bit of moral support.

### What is the value of supporting people in debt to self-negotiate?

The interview data highlights the diversity of problem debts that people have, and that independent advice services have to deal with – from single priority debts with a complex back-story, to multiple consumer credit debts that build up over time. The lived experience of our participants trying to deal with problem debt themselves could be messy, time consuming and stressful. The value of professional support from National Debtline was to give people the connection, mindset and ability to self-negotiate, summarised in Figure 1.

Figure 1 The value of supporting self-negotiation



The positive legacies of professional support included better money management; new attitudes to consumer credit; and evidence of participants self-negotiating on their own behalf or for others.

Reflecting the financial circumstances of our participants, there was little mention of positive changes to saving behaviour.

### **Learning and implications**

1: There's no such thing as the 'perfect person in debt' or the 'perfect creditor'

The interview data shows that people in debt can't always be the 'perfect person in debt' that creditors want – but that creditors and their agents can fall short in terms of their own attitudes and behaviour as well, such as flatly refusing to negotiate; charging seemingly disproportionate fees; and failing to signpost people to independent advice. Better is possible, as evidenced by positive creditor experiences reported by some participants.

The implications here lie with the FCA to ensure that regulation works for people in debt, and that firms treat customers fairly. In relation to non-financial services creditors, central government has been working with the advice sector to improve its debt collection, but its remit is relatively narrow (for example it does not cover local government debt collection). Urgent reform is required to avoid creditor action undermining people's journey to debt resolution, but also jeopardising outcomes for other creditors.

2: What do we mean by 'dealing with debt'?

The findings challenge what we mean by 'dealing with debt'. Our self-negotiators were self-diagnosed to a great extent, and focused on dealing with the debt or issue that was important to them at that time. Bar a few, most had made what they considered good progress sorting out their debt - but that did not necessarily mean they had dealt with all their debts or that their finances were stable. Progress could be incremental, piecemeal and in some cases fragile.

The implications here lie mainly with advice services and the people they help, to re-balance the information asymmetries that mean that creditors and advice providers may not have the whole picture of someone's debt situation. It might involve advice services making sure they review any arrangements that the person in debt has made themselves; or strongly encouraging them to come back for further help if their circumstances change; or proactively checking-in with self-negotiators to see how they are managing.

### 3: Are 'textbook' conditions for self-negotiation present or absent?

From the perspective of a person in debt, our analysis shows there exist three 'textbook' conditions for self-negotiation that can help determine whether or not supported self-negotiation is suitable: (1) debt portfolio, (2) disposable income, (3) motivation and capability. There seemed to be a correlation between these three factors and the outcome of an individual's efforts to sort out their debt, both with and without professional support. This potentially has implications for advice services (and possibly also creditors), who could incorporate these conditions more explicitly into their assessment of people who present in financial difficulty, in order to help them appropriately – for example in a pilot scheme.

### 4: Communication is crucial

Our interview data shows that communication is pivotal in resolving problem debt. Get it wrong, and the process can become protracted and sometimes acrimonious. Get it right, and there is a much better chance of reaching a sustainable arrangement. The right communication channel could also make a big difference for participants who, for example, found it difficult to speak on the phone.

The implications here apply equally to advice services and creditors. Good communication involves making it simple and low-cost for people in debt to get in touch (and stay in touch e.g. after debts have been sold on or when they need further advice), ideally using a communication channel that works well for them. Being able to electronically view and discuss documents with an adviser would also have benefitted some of our participants. From the creditor side, it's important that processes for secure customer authentication are robust, while not hampering communication with people in debt.

### 5: Important feedback loops are missing

The interview data highlights how better 'feedback loops' could potentially benefit people in debt, advisers and creditors. At present these are largely absent – advisers don't feed back to creditors on the outcomes of advice; people in debt don't always feedback to advice services or creditors when their circumstances have changed or they've hit a problem; and advice services do not routinely check-in with the people they've helped to see whether they would benefit from some further advice or support. Creating better feedback loops offer a way for advice services and creditors to input learning into their systems and processes so they produce better outcomes for more people in the longer term.



# 1 Introduction

The Money Advice Service estimates that one in six adults in the UK (8.2 million people) are over-indebted.<sup>1</sup> The same modelling shows that Wales, Northern Ireland and the West Midlands have particularly high concentrations of over-indebted people. Regardless of where they live, it is common for people in this situation to only seek professional help when they reach a crisis point; and some people may not seek help even then.

National Debtline and Business Debtline provide advice and resources by phone and online to help people and small businesses across the UK deal with their debts. In 2016, National Debtline and Business Debtline helped 158,980 people by phone and had over 1,235,760 visits to their websites. A further 37,796 people got help from National Debtline and Business Debtline through the webchat service.

Among the services offered, National Debtline and Business Debtline support people to set up and self-manage their own repayment arrangements with their creditors, where this has been identified as an appropriate course of action. This might involve helping them to draw up an accurate income-and-expenditure statement on which to base repayment offers; providing template letters they can use to negotiate with their creditors; and equipping them with information about their rights and responsibilities, for example what to do if they receive a court summons or a bailiff visit.

Self-negotiated payment plans are informal arrangements that do not provide people in debt with any guarantees or legal protections in terms of enforcement action by creditors or the application of interest and other charges. On the other hand, some people value the flexibility offered by these types of arrangements: there is no public record of informal arrangements and people are generally free to end the arrangement without penalty. In some circumstances, people may have few other options open to them. We do not know with any certainty how many people are managing their problem debt in informal ways, but it is likely to be many more than manage their debt through formal personal insolvency.<sup>2</sup>

## 1.1 About the research

This research set out to understand the experiences of people who face difficulties repaying what they owe, when they attempt to negotiate with their creditors after receiving telephone advice from

National Debtline.<sup>3</sup> We call these people ‘self-negotiators’ for short. The research questions addressed in the study include:

- What are self-negotiators’ experiences of negotiating with their creditors (both financial services firms and other creditors such as central and local government, energy and telecom firms) and how does this process impact on the outcomes they reached?
- How do self-negotiators (and their households more generally) manage financially after taking action to deal with their debts themselves?
- To what extent does self-negotiators’ financial awareness improve as a result of the National Debtline’s advice and support?
- What are the chances of self-negotiators avoiding further debt problems in the future?

Questions of this type can only be answered satisfactorily through qualitative research. While the numbers of participants in qualitative research are relatively small, it is only by interviewing people in detail about their experiences that we can understand the outcomes they achieve; the factors that can make or break successful self-negotiation; and things that advice services, creditors and self-negotiators could do differently to help support good outcomes.

This research comprised 27 in-depth interviews with self-negotiators from across the UK that were carried out between December 2016 and February 2017.<sup>4</sup> The self-negotiators we interviewed in England, Wales and Scotland had all received help from National Debtline and were recruited to the study via National Debtline. The five participants we interviewed from Northern Ireland had sought advice from other debt advice providers; they were recruited to the study by a professional recruiter. Further details about the people we interviewed and the research methods are provided in the Appendix.

The report sets out key findings from the study and the learning and insight from it that is relevant to advice services, the financial services industry, non-financial services creditors such as government, energy firms and telecoms firms, and self-negotiators.

## 2 Who did we speak to?

For this study, we interviewed 30 people in total: three representatives from creditor organisations, to get their perspective on self-negotiation; and 27 people from across the UK with experience of problem debt who had received professional support from an advice agency.

With the help of the Money Advice Trust and National Debtline, we recruited 22 National Debtline clients from England, Wales and Scotland to the study. We selected these clients based on a number of criteria including:

- They had contacted National Debtline for telephone advice a minimum of 12 weeks and a maximum of 52 weeks ago.
- National Debtline had not referred them to a course of action that involved third party payment distribution (i.e. a Debt Management Plan or DMP) or personal insolvency (Bankruptcy, IVA, Debt Relief Order) or the Debt Arrangement Scheme in Scotland.

We used similar criteria to recruit people in Northern Ireland, using a professional recruiter. The five participants we interviewed from Northern Ireland received advice from debt advice providers other than National Debtline.

As we discuss in Chapter Three, our participants reported a wide variety of problems and situations. Some had, in fact, carried out little or no self-negotiation either because they decided to follow another course of action (such as apply for a Debt Relief Order or a debt management plan); or because an advice agency had done most or all of the negotiation on their behalf. Nonetheless, these cases are valuable in considering the circumstances in which self-negotiation can work well and those in which it works less well.

The ways we recruited people in debt to the study means that our participants, by definition, were those who chose to participate in the research. As a result, we cannot guarantee that their views and experiences reflect the views and experiences of National Debtline's clients (or the clients of other advice services) more generally. As we describe below, however, our participants represented a rich mix of experiences and circumstances, which has allowed us to explore the sorts of factors that can either aid or impede successful self-

negotiation, as well as the challenges and issues that affect people in debt more generally.

## **2.1 About our participants**

Our 27 interviews were conducted with people in debt who lived in Birmingham, Nottingham, Bristol, Cardiff, Glasgow, and Belfast. Our participants were split fairly evenly between men and women. We had a mix of people of different ages, with most of them aged between 30 and 50.

In terms of family situations, roughly half our participants had dependent children, mostly living as a couple, but with several single parents. Those without children were either single adults living alone or with another adult. Most of the people we interviewed lived in rental accommodation, either in the private rental sector, or in social housing, with a small number living in a privately owned house, mostly with a mortgage.

Given the well-established connection between income drops and problem debt,<sup>5</sup> it is perhaps unsurprising that relatively few of the participants we spoke to (about a third of them) were in stable employment, either full or part time. Among those in stable work, their occupations included teaching, childminding, and support work and work in the retail sector. Of the remaining participants, most weren't working at all at the time of the interview, although some of these were studying, volunteering or living with a partner who was working. Other participants were in and out of work, either agency workers in lower-skilled, lower-paid jobs, or higher-paid, higher-skilled contract workers.

## **2.2 About their debt problems**

Our participants varied quite markedly in terms of the level of debt they had when they sought professional support, from under £500 to an estimated £74,000. Approximately half owed less than £5,000 at the time of contact, and half more than £5,000. Consumer credit debt was the most common type of debt among our participants, including credit cards, personal loans, store cards, overdrafts and payday loans. Some had arrears on household bills such as rent, Council Tax, gas and electricity, in addition to consumer credit debt. The number of creditors that participants owed money to also varied widely, with a broadly even split between those who owed one or two creditors, those who owed three to five and those who owed six or more. The number of creditors was not necessarily correlated with the size of

debt: some participants owed relatively small amounts to several creditors, while others owed large sums to one creditor.

In terms of the routes into problem debt, there were three main patterns of experience. The first comprised participants who had experienced a temporary drop in income, and as a result had accrued a modest amount of debt or arrears. The second related to participants whose income or spending habits had been causing problems to mount up over a longer period, and whose level of debt was correspondingly higher. Thirdly, we had participants who didn't have any particular issue with their level of income but had a single problem debt as a result of an error on their part or the part of a creditor (such as unpaid Council Tax pursued at the wrong address), or possibly due to a slip in judgement (such as a seemingly poor decision not to pay a parking fine). A few participants had experienced debt problems in the past that resulted in personal insolvency or a debt management plan.

There were no particularly strong correlations between these routes into problem debt and participants' characteristics or circumstances; or the effect that the debt had on their financial position. Later in the report, we explore the other factors, such as skills, knowledge and previous experiences that can affect people's responses to problem debt, and how these factors interact to influence success in self negotiation.

### 3 What role does self-negotiation play in people's efforts to sort out their debt problems?

As the case studies throughout the report demonstrate, our interviews provide a rich seam of information about how people try to manage their debt problems. The route out of problem debt (or at least towards more manageable debt) is not always linear or smooth. People sometimes stall in their efforts or move from one course of action to another. For this reason, hard-and-fast categories such as 'self-negotiation' or 'managed debt solutions' do not always work very well. Chapter Six explores in more detail the obstacles and setbacks that can occur.

The interviews show two main patterns in terms of participants' experience and the different roles that self-negotiation played in their efforts to sort out their debt problems:

1. **Looking for support to self-negotiate with creditors in order to work out debt payment arrangements or sort out specific debt issues.** Of the 27 participants we interviewed, 17 fell into this category. All the participants who wanted to work out debt payment arrangements already had experience of self-negotiation, but unsupported by a professional advice service. As we discuss below, they were at different stages in terms of the progress they had made in their unsupported self-negotiation. In addition, there were a few participants who wanted support to deal with a specific issue (such as Stephan<sup>6</sup>) who wanted to remove a County Court Judgement for an unpaid parking fine from his credit file).
2. **Looking for support to pursue a particular debt solution.** Among the 27 participants we interviewed were 10 who did not want support to self-negotiate, but rather wanted help to pursue a particular debt solution or for an advice service to negotiate on their behalf. These participants mainly wanted support to apply for a formal course of action (Debt Relief Order or Debt Arrangement Scheme) or to set up a DMP. Self-negotiation tended to play a minor role in their journey to debt resolution. In one or two cases, participants just wanted an advice service to

handle their debt problems for them, rather than do it themselves.

We describe the two main patterns of participants' experience in the following sections.

### **3.1 Looking for support to self-negotiate with creditors**

A common pattern of experience was for our participants to contact National Debtline (or another advice service, in the case of people in Northern Ireland) looking for support to self-negotiate affordable payment arrangements with their creditors. Often they knew little about the professional help that was available, and only a few were aware of National Debtline (either hearing about it in the media or having used it before). Routes to advice included:

- Being recommended National Debtline or another advice provider by someone they knew (sometimes followed by an online search to find out more about it)
- Coming across National Debtline or another advice service through their own online searches for information about dealing with debt
- Being referred to National Debtline by another advice provider
- Being signposted by one of their creditors to National Debtline or another advice provider.

But this was by no means the first step in their efforts to try and resolve their debt problems. They had already been in contact with some or all of their creditors (some over quite a long period of time), to try and agree mutually acceptable repayment arrangements. Their prior attempts at negotiation were unsupported by any professional advice service, however, and they had achieved varying degrees of success, as we describe in detail in the sections that follow.

When these participants eventually contacted National Debtline or another advice service, they expected or wanted to deal with their debt themselves – as they had been already. The help they wanted from a professional advice service ranged from wanting '*pointers*' and '*tools*' such as how to work out a reasonable repayment offer; information about specific topics like CCJs, liability orders, bailiffs; reassurance about their understanding of things or what they planned to do; and in some cases a sympathetic ear and a bit of moral support.

### 3.1.1 At first base: Little or no progress with unsupported self-negotiation

Having made little or no progress with their own self-negotiation with creditors, these participants recognised that they needed professional support to move forward or were prompted to look for help by creditor actions, such as final demands or court orders.

The reasons for their lack of progress were various. Participants like Katy (see below) sometimes found creditors unwilling to negotiate reduced repayments, instead insisting they pay the full amount due. Or else the reduced payments offered by creditors were felt to be unreasonably high and unaffordable. In Jane's case (see below), her one creditor had agreed to a payment plan, but over a year later nothing had been set up. Jane admitted that she hadn't chased it up, only to be shocked into action when she received a final demand for the debt.

#### **At first base**

Katy is in her early 20s, and lives with her partner and young son. They got into debt to TV Licensing when they had to be moved at short notice to a new housing association home. With her child ill at the time, Katy "*had so much going on*" that she forgot to notify TV Licensing about the change of address. They started paying for the TV licence at their new address (in her partner's name) and did not pay what they owed from their old address (where the license had been in her name). When she received a court order to pay £150, Katy phoned TV Licensing and explained that they couldn't afford to pay it in one go. They insisted she pay the full amount and despite phoning them every day for a week to try and sort it out, being passed from one department to another, she got nowhere. Depressed and anxious, Katy contacted a local advice provider for help, having used them in the past for other issues.



### **At first base**

Jane's problem also related to a single creditor – a solicitor she had employed to deal with a complex legal issue. The total solicitor's bill amounted to over £25,000. Jane had managed to pay off over £21,000 of the debt, and agreed a payment plan to pay off the rest. For some reason, the payment plan was never set up, and Jane didn't hear anything for over a year. Out of the blue, she received a final demand for the debt, followed a few weeks later by court papers. She did some online research herself (searching for information on debt and bailiffs), and then contacted National Debtline for help to complete the court papers.

### 3.1.2 At second base: Partial progress with unsupported self-negotiation

Compared with their counterparts at first base, participants at second base had progressed somewhat further in their own, unsupported self-negotiation by the time they sought help. Typically owing money to several creditors, they had managed to reach payment arrangements with some of them under their own steam, but turned to professional support to deal with other creditors with whom they had less success negotiating – like Nicola (below) who needed support to deal with her Council Tax arrears.

### **At second base**

Nicola is in her 40s who works in the retail sector. She owed around £10,000 across three credit cards and had Council Tax arrears as well. Her debts had come about because *"you spend more than you earn with all the bills and stuff"*. Nicola had managed to negotiate repayment arrangements for her credit card debt using template letters from a consumer website. She had generally found the credit card firms helpful, although she had to stand her ground in cases where they asked her to pay more than she felt she could afford.

She also set up a direct debit to repay her Council Tax arrears. For some reason, these payments had stopped (even though Nicola does not seem to have cancelled the direct debit), and the debt was passed by the council to a bailiff firm. Nicola had contacted the council several times to try and sort things out, *"but they kept saying, speak to the bailiffs at the bottom of the letter"*. Nicola was dismayed about this: *"you'd think the council would be more helpful"*.

Following information that she found online (which included factual information about bailiffs and user experiences from consumer forums), Nicola did not let the bailiffs into her home, and offered to pay what she felt she could afford – which she said the bailiffs would not accept. From one of her searches on ‘bailiffs’ she found National Debtline’s number. She phoned to check that she was doing the right thing and to check her rights – she was worried that bailiffs might be able to enter her home if she wasn’t there, or if her teenage child was at home alone.

**3.1.3 At third base: Payment arrangements set up but not sustained**  
Participants at third base were a bit further along again in their road to debt resolution, before they sought professional help. These were people who had worked with their creditors (without the support of an advice service) to agree repayment arrangements, and had successfully stuck to those arrangements for some time. For different reasons, the payment plans had broken down – for example, in Ryan’s case because he had missed payments; in Richard’s case because his debt had been passed to an in-house debt collection team who wanted him to pay more than he felt he could afford. These events were the trigger to getting some professional support, as we see in the case studies below.

#### **At third base**

Ryan is in his 40s and had a small debt of less than £200 that related to a court fine. He had been repaying the debt at £5 per week, as he had arranged with the court (without any professional support). His problems started when he missed two successive weekly payments. Although he made up the amount in the third week, the debt had already been sold to a debt recovery firm. Ryan only found this out when a bailiff visited his home. At that point Ryan owed £30, but when the debt recovery firm and bailiffs added their charges, it came to over £400. Ryan did some research online and discovered that there were national standards for bailiffs and enforcement agents<sup>7</sup>, which he thought the debt recovery firm had not followed. He contacted a debt advice provider to check his understanding, and was referred to National Debtline.

### **At third base**

Richard is in his 50s and a self-employed businessman. He mainly owed money to his bank, in the form of mortgage arrears and consumer credit debts. The situation got worse when Richard had to take time off work for health reasons. In his words: "*Things got really, really bad very, very quickly.*"

When he realised that he would have no earnings for a while, Richard contacted his creditors. He came to an arrangement with his bank (a mortgage holiday and freezing his consumer credit accounts), but not with his credit card provider. Around the same time he contacted a debt advice provider to find out where he stood legally about repaying what he owed. They confirmed that he was doing the right things, but also raised the option of bankruptcy, which Richard rejected as it would adversely affect his position as company director.

When Richard returned to work, he re-contacted his bank and negotiated affordable repayment arrangements. This arrangement worked well until the bank passed his non-mortgage debts to an in-house debt recovery team, and he started to be charged more in interest alone than he had been repaying, which he was deeply unhappy about: "*I expected them to stick to their guns and do exactly what they said, and they haven't*". Richard re-contacted the debt advice provider for some advice about how to deal with the situation, and was referred to Business Debtline.

### **3.2 Looking for support to pursue a particular debt solution**

The second common pattern of experience was for our participants to seek professional support to apply for a formal course of action (Debt Relief Order or Debt Arrangement Scheme) or to set up a DMP.

Declan went to a debt advice provider wanting an adviser to set up a payment arrangement on his behalf; similarly Amit wanted an advice service to act for him, to sort out his consumer credit debts (some of which he disputed). Like the participants who were looking for support to self-negotiate, these participants included some people who only had non-priority consumer credit debts (ranging from a few thousand pounds to over £30,000), and others who had a mix of priority and non-priority debt.

Self-negotiation tended to play a minor role for these participants in their current situation, although some had tried to self-negotiate without professional support in the past and others (like Jackie, see

below) negotiated 'breathing space' with their creditors while applying for a debt solution. They had either chosen a particular course of action in preference to self-negotiating with their creditors (some had made their minds up about the course of action before they even sought professional support); or were clear that they wanted a professional adviser to act on their behalf.

For the most part, things had gone according to plan for these participants, and they successfully followed through their chosen course of action. There were a few examples where National Debtline had not provided the sort of help participants wanted, though, and progress had either stalled; or participants had gone to a different advice service. We go on to look at some of these examples in a later chapter.

#### **Looking for support to pursue a particular debt solution**

Following her divorce, Jackie had a mental health crisis which resulted in the loss of her business. With a drastically reduced income, Jackie used consumer credit to house and support herself and her children. In total, she built up over £25,000 of debt across credit and store cards. She had also taken out a bank loan to consolidate some of her card debt. In her own words, *"I dug my head firmly in the sand"*.

She had reached the point where she could no longer afford the minimum repayments on her cards when she saw Martin Lewis on breakfast TV, advising people to contact National Debtline if they had debt problems. She followed his advice and National Debtline suggested she could self-negotiate and offer her creditors £2 per week, or else apply for a Debt Relief Order (DRO). Jackie decided on the latter. She did talk to all of her creditors to tell them she was applying for a DRO and to request they freeze interest and charges to give her 'breathing space' to do this. All of her creditors agreed to provide 'breathing space' except her bank, where she was a longstanding customer: *"I actually cried on the phone to [the bank], I said look I said I've been a customer for more than 30 years, I said you know that I'm good for this, yes I've got problems but this is temporary and they weren't having a bar of it."* The bank kept pursuing her for the debt even though she wrote to them telling them about her DRO application (using National Debtline's template letter), provided an income and expenditure statement, talked to staff in the branch and phoned them. The bank did finally agree to 'breathing space' and awarded Jackie compensation for its poor conduct.

### 3.3 What can we learn from these different experiences?

Our participants who wanted professional support to negotiate repayment plans with their creditors had all taken the initiative to sort out their debts – and in some cases, had achieved a good deal of success. The interviews help us understand the different stages at which people may look for support to self-negotiate and what they wanted – typically advice about how to negotiate (or re-negotiate) with creditors when their own progress had stalled or reversed; or reassurance that they were doing the right things, for example, in relation to bailiffs. They also highlight the lived experience of participants trying to deal with debt problems themselves – it could be messy, time consuming, stressful and sometimes frustrating.

Three other things stand out from this chapter – the behaviours of non-financial creditors; of financial creditors; and misjudgements and inaction on the part of our participants. We explore some of these issues and challenges in more detail in Chapter Six.

#### 3.3.1 Dealing with non-financial creditors

Whether participants wanted support to self-negotiate, or to follow a particular debt solution, there were examples of apparent poor practice by creditors and their appointed agents. From our participants' experiences, these often seemed related to non-financial creditors. In Katy's case, as we saw above, she tried and failed to make an arrangement to pay with TV Licensing, and does not seem to have been signposted at any point to independent advice. Nor did TV Licensing ever mention to Katy the evidence they eventually accepted from the advice provider acting on her behalf.

In Jane's case, while she admitted she should have followed up the offer of a payment plan from the solicitor firm, the firm seems to have fallen down in terms of its communication with Jane as well. For Ryan, his own online research alerted him to the existence of national standards for bailiffs and enforcement agents, which the debt collection agency did not seem to have followed when pursuing his court fine.

#### 3.3.2 Dealing with financial creditors

Firms that are regulated by the Financial Conduct Authority (such as banks and loan companies) are required to comply with the regulator's rules and guidance. In particular, Principle 6 of the FCA's rulebook states that when dealing with customers in default or in

arrears difficulties, a firm should pay due regard to its obligations under Principle 6 to treat its customers fairly.<sup>8</sup>

Participants reported mixed experiences of dealing with financial services firms – some good, and some bad. In Jackie’s case, her bank did not appear to have treated her fairly, pursuing her even after she had contacted them by phone, letter and in branch to tell them she was applying for a Debt Relief Order with the support of National Debtline. The bank recognised its poor treatment of Jackie by awarding her compensation – although in fact it paid the compensation into her frozen bank account and continued to pursue her even after this. She contacted them again to complain, and received further compensation (paid into a savings account). While these incidents may be relatively uncommon, nonetheless they can cause people distress and are time consuming to sort out.

### 3.3.3 Misjudgements and inaction on the part of people in debt

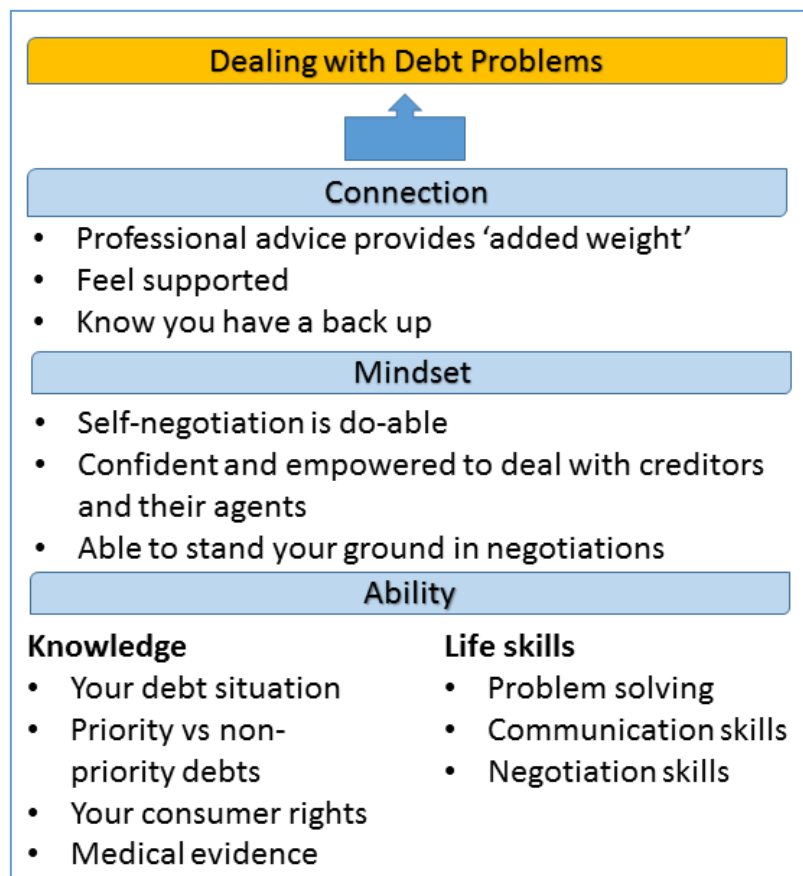
There were also misjudgements and inaction on the side of our participants, like Jackie, mentioned above who admitted to sticking her head in the sand; Jane who should perhaps have chased her solicitor about the debt payment plan they were supposed to set up; and Debbie (who we meet later on) who had made very little progress in sorting out her debts despite several occasions when she received professional support.

## 4 What is the value of supporting people in debt to self-negotiate?

As earlier chapters illustrate, our participants spanned a range of experiences, from those who wanted support to self-negotiate payment plans with their creditor; to others who wanted support with a specific issue; and finally those who wanted support to pursue a formal debt solution or DMP, or someone to arrange payments on their behalf. As we might expect, the first group – participants who had self-negotiated with their creditors – provide the most information about the value of professional support. Even so, others who wanted help with a specific issue or to pursue a specific debt solution had also clearly benefited from the support they received.

The Financial Capability Model developed by the Money Advice Service offers a useful framework to help us make sense of the value of supporting people to self-negotiate.<sup>9</sup> Figure 4.1 uses that framework to summarise our participants' views and experiences. We explore each of the components (Connection, Mindset, Ability) in more detail below, while we look in detail at the outcomes for our participants in Chapter Seven.

**Figure 4.1 The value of supporting self-negotiation**



#### **4.1 Connection**

In the Financial Capability Model, Connection relates to people’s exposure and access to advice, guidance, tools and services. In this study, it relates mainly to the professional support provided by National Debtline and other advice providers.

Having tried with varying degrees of success to negotiate without professional support, for our self-negotiators this Connection came in the form of the ‘added weight’ that professional support lent to their dealings with creditors, debt collectors and bailiffs. For Olly and James, two participants at first base who had made little or no progress in their own negotiations, this Connection helped them move things forward, as we see below. Other participants valued knowing National Debtline or another advice service was there to give them some further back-up if they needed it. Highlighting the socially isolating effects of problem debt, participants also felt reassured that they no longer had to deal with their debts entirely on their own.



### **The value of ‘connection’**

Olly (an agency worker) and James (a mature student) were both single renters in their 20s who had contacted National Debtline for support to self-negotiate with their creditors. Olly had been into his bank branch several times to try and come to an arrangement about his £840 overdraft, which had ballooned to £1,400 due to bank charges. Having got nowhere, he contacted National Debtline on the advice of a friend. With their support, he was able to complete an Income & Expenditure form and immediately contacted his bank to discuss payment. While the bank rejected his token payment offer, nonetheless Olly felt that National Debtline’s support had kick-started a conversation that he’d previously been unable to get off the ground.

James’s debt problems comprised a car loan that he could no longer afford since moving from work to university, and a small utility debt. Having already talked to his creditors (without success) about reducing his repayments or having more time to pay, James was stuck at first base: *“I felt that I wasn’t listened to and I wasn’t confident enough to ask.”* He contacted a local advice provider who referred him to National Debtline. James felt that his efforts to self-negotiate had been bolstered by the fact that he could tell creditors he had received professional advice.

## **4.2 Mindset**

In the Financial Capability Model, Mindset relates to people’s financial and general attitudes and motivations. In this study, it relates mainly to the confidence and self-efficacy that participants gained from professional support. From the interviews, this was one of the most powerful benefits that our participants took from the support of National Debtline and other advice services. A positive Mindset to deal with debt problems should also benefit creditors and their agents, as people are more motivated to engage (or in the case of our self-negotiators, re-engage) in negotiations – although as we note below it may also make them less willing to concede to creditor pressure for, say, higher payments.

The value of professional support in terms of self-negotiators’ Mindset was three-fold. First, it made effective self-negotiation with creditors seem achievable and do-able, where participants’ previous efforts had failed to make any significant or sustained progress.

Secondly, it gave participants the confidence and mental strength to persevere with negotiations (or re-negotiations). Thirdly, knowing that they were negotiating on the basis of professional advice and support, participants felt better able to stand their ground when creditors were reluctant to accept offers or asked for higher repayments or treated them unfairly (as in Jackie's case in Chapter Three, where her bank continued to pursue her even after it had paid her compensation for exactly the same thing).

For participants who sought support to apply for a formal debt solution, or to have someone else negotiate on their behalf, the main benefit in terms of their Mindset was the relief and peace of mind that professional advice brought them.

#### **The value of 'mindset'**

Josh is a young single man with physical and mental health problems that makes it hard for him to work. With the help of a social worker, he had previously set up payment arrangements for the overdraft and credit card debts he ran up at university. He got into difficulty keeping up with the agreed payments when he was switched from Employment Support Allowance to Jobseekers Allowance.

Although Josh had in the past spoken to his creditors, he just didn't feel able to do it on this occasion: *"the problem seemed a really big one and ... I didn't feel like I could even approach or figure out how to tackle that..."* He started to get letters from his creditors and around this time a lender referred him to National Debtline.

At first, Josh was not convinced that he would be able to self-negotiate, even with National Debtline's support. When he received the Information Pack and saw that he could use the template letters to write to his creditors, it all started to feel much more achievable (not least because he found speaking on the phone difficult). In Josh's own words, it seemed like *"...a simple solution... these financial problems feel overwhelming because you don't know what you can do... So it meant even in my emotionally and mentally compromised state of mind it wasn't as daunting and overwhelming."*

### 4.3 Ability

In the Financial Capability Model, Ability relates to financial knowledge and understanding and basic skills (like numeracy and literacy). In this study, Ability relates mainly to the benefit that participants gained from professional support in terms of understanding their own financial situation, the skills and tools to deal with their debts, and knowing about their rights and responsibilities. The boost to their abilities provided by professional support in turn helped get them into the right Mindset to deal with their creditors.

As well as information imparted by its advisers over the telephone and webchat, National Debtline also produces an Information Pack for callers (which is usually sent electronically) and has factsheets and other resources on its website. The useful knowledge that participants gained from this type of professional support included what to do when a bailiff visited and their consumer rights in that situation; the difference between priority and non-priority debts (as in Nicola's case, see below) and how to deal with them; how to fill in court forms related to a liability order; and how to obtain a copy of your credit file. For a number of participants (like Mandy, see below), understanding the importance of disclosing health information to creditors, and providing medical evidence to support their negotiations, was a big step forward.

One of the most valued tools provided by professional support was the opportunity for participants to work through a detailed Income & Expenditure form, which formed the basis of the payment offers that they made (or in some cases supported their decision to apply for a formal debt solution). For some self-negotiators, completing the Income & Expenditure form made them face up to the true extent of their problem debt. Others said how useful it was to have their financial situation laid out in black and white, to refer back to. Having a better understanding of their financial situation also supported good money management habits, as we discuss in Chapter Seven.

Notably, this was often the first time our self-negotiators had gone through their incomings and outgoings in quite so much detail. Some had completed budget sheets as part of their unsupported self-negotiation in the past, but this did not seem to be the case for others. This might help explain why their unsupported self-negotiation was not always very successful, if it was based on inaccurate information and unrealistic offers.

Support to communicate with creditors and their agents was another benefit of professional advice. This included template letters (as in Josh's case, see above), but also advice on what to say to creditors and how to approach them. For some of our participants, professional support gave them a more structured way to deal with creditors that they had previously lacked in their unsupported self-negotiation, for example by helping them devise a plan of action.

#### **The value of 'ability'**

Mandy is in her 30s, married with three children. She is registered disabled and unable to work because of her mental health problems. Over several years, overspending linked to her mental health problems has led Mandy into debt with payday and other high-cost loans. While she managed to sort other priority debts herself (through the courts), Mandy contacted National Debtline for advice about dealing with her non-priority debts. Her problem was that the lenders would not agree to her payment offers so she had agreed to make payments she just couldn't maintain. Mandy also wanted advice about how to disclose her mental health problems to lenders. In her own words: *"I know that they [National Debtline] wouldn't take the debt on but I just wanted, I wanted the help as to how... how do I tell your creditors you've got mental health issues?"*

The phone advice she received from National Debtline made Mandy realise just how important it was to make the lenders aware of her mental health problems. Galvanised by this knowledge, she asked her GP for a medical evidence letter that she could use to argue her case for debt write-off. Reflecting on the support she'd received from National Debtline, Mandy commented that *"I actually started to feel better"*.

For Nicola, support from National Debtline challenged her prior view that Council Tax was not a priority simply because she felt she did not derive much benefit from paying it, as she explains here:

*"...but then you think to yourself what is the point sometimes [of paying Council Tax]?... because whenever you need their help, my car got smashed into, the police never came out to me, they just gave me a reference number, so what was the point?"*

#### **4.4 Was there anything else that participants would like to support their self-negotiation?**

Our interviews highlighted some practical things that participants felt would support their self-negotiation. These related to access to National Debtline's service; the channel by which support was offered; and follow-up.

##### **4.4.1 Access**

On the whole, accessing National Debtline's telephone service did not seem to be a problem for our participants. Only one participant mentioned having difficulty getting through on the phone – he had failed to get through during the week, but he was able to speak to an adviser on a Saturday morning after holding on the line for a short time. Another had not received the call back from National Debtline that had been scheduled. In a few cases, participants had not received an Information Pack from National Debtline, which meant they either had to chase it up or they did without it.<sup>10</sup>

##### **4.4.2 Channel**

The ability to make more use of email in their interactions with National Debtline would have helped participants like Mandy (see above) who found it difficult to talk to people on the phone due to her mental health problems. Jane, who wanted support to complete court forms related to a liability order, would also have valued being able to share her forms with National Debtline by email for an adviser to check over and discuss with her. Instead, she had to talk the adviser through the forms on the phone, which was awkward and time consuming to do.

In addition, while Jane valued National Debtline's webchat for short interactions, she felt it would work better if it was more joined-up with the telephone advice services. She had been frustrated on occasions when the support started off on webchat but then was switched to the telephone, because it disrupted the flow and momentum of the conversation.

Both Mandy and Jane would have valued more dedicated or specialised support – in Mandy's case, a specialist advice team for people with mental health problems, which could provide advocacy services as well as support for self-negotiation; and for Jane a caseworker so she didn't have to keep repeating her (complex) debt problem to different advisers.

#### 4.4.3 Follow-up

Several participants would have valued some follow-up from National Debtline, for example an occasional email or phone call to see how they were getting on. This was for moral support as much as anything else, as the experience of living with, and dealing with, debt could be isolating and stressful. For people like Mandy and Josh (above), picking up the phone to speak to someone was difficult, so follow-up support would really have to come from the advice provider. In a few cases, taking part in an interview for this study had prompted people to think about getting back in contact with National Debtline or another advice service. We look at the reasons why our participants didn't re-contact advice services for further help in Chapter Six.

From the perspective of creditors, our interviews indicated that they would also like follow-up, albeit of a different kind – they would value a better understanding of the outcomes for customers they refer to external debt advice services. For example, do customers follow the advice they receive from services like National Debtline? If they do, do they achieve better outcomes than customers who don't receive any professional support? If customers don't follow the advice they receive, why is that? We look at the reasons why our participants didn't always follow advice to the letter in Chapter Six.

## 5 What does 'textbook' self-negotiation look like?

In an ideal situation, 'textbook' self-negotiation means that people with problem debt contact their creditors (or their agents), are treated fairly by them, and can agree debt repayments that are acceptable to the creditor and affordable for the person in debt, based on accurate and up-to-date information. Creditors may review repayment arrangements periodically, in case the person in debt has an improvement in their circumstances (in which case they may be able to manage a higher repayment) or worsened (in which case they may need to make a lower repayment or consider another course of action). In this 'textbook' situation, the intervention of a third party would be unnecessary.

By definition, the self-negotiators in our study had not experienced this 'textbook' scenario. As described in earlier chapters, they had at best achieved partial success in their unsupported self-negotiation before contacting National Debtline or another advice service for help. Even so, the interview data provides useful insight into the conditions on the side of the person in debt that shape the effectiveness of self-negotiation – whether it is supported or unsupported. In the following sections, we describe these conditions and how they impact on self-negotiation, individually and together.

We focus on the views and experiences of participants who were looking for professional support to self-negotiate payment arrangements with creditors, and those who wanted support with a specific issue. We exclude participants who were looking for support to pursue a particular debt solution, who generally did not meet the 'textbook' conditions for self-negotiations that we describe below, for example because they had significant levels of debt and no disposable income.

### 5.1 What are the conditions for 'textbook' self-negotiation?

On the side of the person in debt, three conditions stand out as important in shaping the outcome of self-negotiation: their debt portfolio, their disposable income and their motivations and capabilities. Based on our analysis, 'textbook' self-negotiation on the part of the person in debt is more likely where someone's debt portfolio is manageable; they have sufficient disposable income for

some kind of debt repayment plan; and they have the motivation and capabilities to see through the self-negotiation.

#### 5.1.1 Their debt portfolio

Of the three conditions, debt portfolio is perhaps the least clear-cut. On the whole, the more debts participants owed, the more challenging it was to successfully self-negotiate, particularly where the amount of debt relative to disposable income was also an issue (see below). As much as anything, the scale of the task facing participants was simply much larger the more creditors they had, and could be overwhelming. That said, single debts owed to one creditor were not necessarily straightforward to sort out either, for example where bailiffs had been used to enforce Council Tax arrears; or where participants disputed a debt or had to prove the debt was down to an error on the creditor's part.

#### 5.1.2 Their disposable income

For self-negotiation to be successful, participants had to have sufficient disposable income to offer and maintain debt repayments. This in turn depended on having reliable sources of income from work or benefits. Several of our participants, for example, had a low but stable main income from state benefits which meant they were able to manage debt repayments provided they were set (and kept) at an affordable rate. Fluctuating incomes either from agency work or self-employment, or from switches between state benefits, were both a route into problem debt and a hurdle to self-negotiated debt management.

#### 5.1.3 Their motivations and capabilities

As well as having a debt portfolio that they felt they could self-negotiate and the disposable income to make repayments, participants' motivations and capabilities were key to shaping the progress they made. As we saw in Chapter Four, making repayment offers that are based on an accurate Income & Expenditure assessment is really important in successful self-negotiation, and something that our participants often lacked in their own efforts to self-negotiate. People also need to know the basics, for example, why they should prioritise some debts over others; and what creditors and their agents can and can't do when trying to recover the debt.

Even with the right capabilities, self-negotiation won't be effective unless the person in debt is motivated to sort out their problem debts and determined to see through negotiations with creditors. Our self-



negotiators had generally been motivated to seek professional support themselves when their own efforts had not been wholly successful. Several were strongly motivated because they wanted to right a wrong – because they felt they had been unfairly treated, for example, or because they disputed the debt or the action taken against them. These cases were often protracted and complicated, but participants’ sense of ‘mission’ meant they persevered.

For participants with mental health problems, finding the personal resources to deal with creditors could be difficult at times. In these cases, professional support and the ability to deal with advice services and creditors via their preferred communication channel (often email or letter) could make all the difference.

In the following sections, we look at the extent to which these conditions for ‘textbook’ self-negotiation were present among our participants, through four different scenarios.

## **5.2 Scenario 1: ‘Textbook’ conditions for self-negotiation**



Among our self-negotiating participants, it was quite rare to find ‘textbook’ conditions for self-negotiation. Where it was evident, participants typically had one priority debt that they had not been able to negotiate themselves, and needed professional support. The debt tended to be a one-off issue that had come about from a mix-up or an error on the part of the participant or the creditor – as in the case of Katy who fell behind with her TV License when she moved home at short notice and didn’t inform TV Licensing. This did not mean that the debt was straightforward to sort out, however. In the case of Rachel, who found out by chance about Council Tax arrears the council said she owed at a previous address, it involved her (successfully) taking the case to the Local Government Ombudsman – something she was motivated to do, because she felt the council was in the wrong. As well as being motivated to sort out their problems, these participants also had the disposable income to make repayments.

## **5.3 Scenario 2: Two out of three ‘textbook’ conditions met**



In cases where two of the three conditions for ‘textbook’ self-negotiation were met, our self-negotiating participants generally had some disposable income and the motivation to sort out their problem debts, but there was a question mark over their debt profile. This

tended to be something that could undermine their efforts to reach or maintain sustainable debt repayment.

For example, Nicola, from Chapter Three, had self-negotiated repayment plans with her credit card providers without professional support, before asking National Debtline for help to deal with her Council Tax arrears. While she had found the credit card firms helpful, in total she was repaying £170 per month towards her credit card debt, which as a lone parent working part-time she was worried about keeping up, and which had implications for paying back her priority debt. As she put it, *“I feel that I’m under control maybe 60%”*.

For Stephan, a single man in his late 20s, the main issue was motivation rather than debt profile. On the (bad) advice of a friend, he had let a parking ticket go unpaid and later found out he had a County Court Judgement (CCJ) against him because of it. He had the money to pay the fine (his only debt), but hadn’t done so despite advice from National Debtline and another debt advice provider that he should. His overriding concern was how to remove the CCJ from his credit file (because as a prospective first-time buyer he was worried it would damage his prospects of getting a mortgage), and he seemed deaf to any other advice.

#### **5.4 Scenario 3: One out of three ‘textbook’ conditions met**



In cases where only one of the three conditions for ‘textbook’ self-negotiation were met, our self-negotiating participants usually had the motivation and (with professional support) the capability to self-negotiate. The problem tended to be a combination of their disposable income and debt profile. Richard, who we met in Chapter Three, had accrued almost £20,000 worth of credit debt and mortgage arrears following his divorce. As a self-employed businessman, his relatively high level of debt, combined with spells out of work for health reasons, meant that debt repayment was challenging. Things weren’t helped by the fact that Richard’s home needed some urgent repairs.

Jenny and Ed’s debt problems dated back several years, when they both had periods out of work and claiming benefits. They fell seriously behind with their rent and all their household bills around that time, and had been struggling to get financially straight ever since. They had managed to set up repayment arrangements, some on their own and for their Council Tax with National Debtline’s help.

Whether or not these were sustainable was debatable: while Ed was now in full-time work, Jenny was currently out of work and her entitlement to income-related benefits was about to cease as well.

### 5.5 Scenario 4: No 'textbook' conditions met

XXX

There were a few instances where, on the face of it, our self-negotiating participants did not meet any of the conditions for 'textbook' negotiations. They had little or no disposable income (either because they weren't working or were agency workers); they either owed relatively large sums in consumer credit or else their debt profile spanned priority and non-priority debts (including debts to family); and they had diagnosed mental health issues or found their situation stressful and difficult to cope with. Even so, they did still manage to self-negotiate and, with support, made some positive progress.

They include Mandy, who we met in Chapter Four, who got into consumer credit debt as a result of her mental health problems. Even though Mandy found it very difficult to speak to people on the phone, she was determined to take responsibility for her debts and had managed to negotiate with her creditors unsupported. Her lack of disposable income meant she couldn't keep up the debt repayments she'd agreed to, however. She was now waiting for medical evidence to support a request for debt write-off.

Olly (again from Chapter Four) also seemed to have the cards stacked against him. An agency worker who cycled between spells in low-paid work and Universal Credit, he lived in a house-share where the rather chaotic financial arrangements meant they regularly fell behind with household bills, and housemates simultaneously owed and were owed money. After getting help from National Debtline, Olly came to an arrangement about his large, unpaid overdraft but the household bills were still in a mess.

### 5.6 What can we learn from these scenarios?

Based on our analysis and interpretation of the interview data, these scenarios suggest that, for the person in debt, a combination of debt portfolio, disposable income, motivation and capability are three important determinants that help shape the outcomes of self-negotiation in the short and long term. At the same time, they show that self-negotiation works for a wide range of people in different situations and with different personal circumstances. For example,

mental health problems did not stop Mandy from negotiating with her creditors, provided she could communicate with creditors and advisers in a way that worked for her. Other people with problem debt and mental health problems may need more intensive support, however.

The scenarios also challenge what we mean by 'dealing with debt'. For participants with single debts, like Rachel (Council Tax arrears) and Katy (TV Licence debt), the outcome they sought was relatively clear-cut. For others with more complex or multiple debt problems, managing to get at least some of their debt under control seemed to be a step forward even if there was more work to do, and further challenges along the way (for example if debts were sold on and had to be re-negotiated). We move on in Chapter Six to explore other challenges and issues that can affect the outcomes of self-negotiation.

## 6 Self-negotiation in real life: What are the challenges and issues?

Earlier chapters touched upon some of the challenges and issues that exist in self-negotiation, from the perspective of creditors and the person in debt. For example, we saw in Chapter Four that both people in debt and creditors would value some follow-up from advice services like National Debtline to find out how self-negotiators have fared, what outcomes they have achieved and whether they would benefit from further support. Chapter Three provided some examples of what seemed to be poor practice on the part of creditors, as reported by our self-negotiators.

This chapter looks mainly at our participants' experiences after they received support from National Debtline or another advice service. It focuses on:

- The communication challenges that participants reported when it came to dealing with creditors and their agents.
- Information asymmetries that exist in the self-negotiation process, and how these can impact on outcomes for people in debt and creditors.
- The reasons why our participants didn't always follow through on the professional advice they received, and what difference this made.
- The reasons why our participants didn't always re-contact National Debtline or another advice service when they stalled or hit a problem.

### 6.1 Communication challenges

The overall impression from our interview data is that, while creditors expect people in financial difficulty to be 'perfect' – paying what is asked without question, always paying on time, never missing a payment, answering phone calls at any time of day or night – sometimes this just isn't possible (or even reasonable). At the same time, the behaviour of creditors and their agents can be far from perfect, calling into question whether they are treating customers fairly.

Poor communication by creditors and their agents (experienced in relation to both financial and non-financial creditors) seemed to be counter-productive – it left some participants feeling resentful and

frustrated, which in turn could be quite demotivating. In contrast, participants remembered and valued good communication experiences, as Declan described:

*“Well luckily my first encounter was with one, like [debt collection firm] and that was a good experience, whereas if it had have been with [loan firm] I certainly wouldn't have contacted anyone again after that.” Declan*

Two issues stand out in terms of the communication challenges that could dog the self-negotiation process from the perspective of people in debt. The first related to the method of communication, and in particular telephone communication. The second related to dealing with creditors’ appointed agents, once debts had been sold on to collectors or passed to bailiffs.

#### 6.1.1 Phone frustrations

As we saw earlier, participants like Mandy and Josh found it difficult to deal with people on the phone. Josh much preferred dealing with his creditors by letter, which he was able to do using National Debtline’s template letters. Mandy would have preferred to deal with everything and everybody by email if she could – and felt frustrated when creditors or their agents phoned and did not leave a message, which meant she could not send them an email in reply. Declan similarly preferred to deal by email, to avoid running up large phone bills waiting on hold to speak to a creditor.

Richard found the phone frustrating for different reasons, as he describes in his own words below. Firstly, being given a phone number by his bank that he couldn’t get through on; and secondly because he refused to give the bank his full details after it told him not to, following suspected fraud on his account. This left Richard in a catch-22 situation, where the bank would not deal with him on the phone about his debt because of the advice he was acting upon from another part of the same bank. An admitted technophobe (*“I wouldn't have a clue how to send an email”*), Richard asked the bank to deal with him by letter instead – although it wasn’t clear that much written communication had taken place.

Jackie, who sought help to apply for a Debt Relief Order, reported mixed experiences of previously trying to negotiate with her creditors unsupported. Some of the things she valued in communications from

regulated consumer credit firms were (1) dedicated phone numbers at the top of demand letters, which made it easy to get in contact; and (2) having an extension number for a firm's debt collection team so she could get through to someone directly (rather than being put on hold by a call centre).

**Phone frustration: Richard's experiences in his own words (emphasis added)**

"... [the bank has] given me a number to call them back and **when I call them it's a barred number, I can't even get through** and it's just like, it seems to be a waste of time. I can't go to the local bank and talk to the manager about it because it's not an in-branch matter anymore because it's gone onto their recovery agent..."

"...the last conversation I had with [my bank], what happened, they phoned me up and **they want all my personal details over the phone** and I had some fraud action happen on my new bank account... **and I was told by the bank at the time do not ever give all your personal details over the phone...** so I just say to them if you don't want to talk to me stop calling me, put it in writing and put it through the post, and so far that's worked, I haven't had anything off them."

In contrast, Jackie reported a positive experience with one of her lenders:

"... they had a **dedicated number at the top of their letter**, if you are in trouble and you need help this is the number to ring... **I was on first name terms with somebody** that said 'This is Marie how can I help you? And if you need to speak, ask for me, it's extension 314", and that's how good it was."

But like Richard, Jackie had a bad experience with her bank (though not the same one): "On hold, playing music and it's like I have to stay on hold, I have to speak to somebody, I cannot leave it, I can't go to work and feel as bad as I do... **I have run up a huge phone bill speaking to you**, being put on hold, their [the bank's] call centre is the worst."

### 6.1.2 Agent frustrations

Many of our 27 participants had first-hand experience of dealing with debt collection agents appointed by creditors; and bailiffs that had generally been appointed by local councils to collect Council Tax arrears. Some of participants' frustrations dealing with agents related

again to the telephone. Stephan, for example, wanted to discuss his unpaid parking fine but the only phone number he had for the debt collection agent was an automatic payment line.

Other frustrations stemmed from an apparent lack of engagement on the part of creditors and their agents (even when customers were doing their best to proactively sort out a repayment plan). Dominic was trying to self-negotiate with several credit card firms. Most of them he found straightforward to deal with, particularly once they knew he had taken advice from National Debtline. One of the firms would not engage in any discussion about reduced debt repayments, however, and when the debt was sold on, the debt purchaser didn't want to negotiate with Dominic either. Dominic felt the firm was playing *"a cat and mouse game... all he's interested in is that he's been instructed... he's not interested in the ins and outs of what you're going to be doing!"* On National Debtline's advice, Dominic has continued to pay what he can afford, but feels let down by the credit card firm that sold the debt on.

Amit similarly reported that, since the sale (and resale) of several of his debts, he found it difficult to make any progress because he just didn't know what firm was dealing with the debt, as he describes here:

*"What I don't understand and it really winds me up is they sell the debt but they don't, they don't tell you..."* Amit

He was also struggling to get any advice about his concerns that some of the credit contracts he was being pursued for had been fraudulently taken out in his name.

The other frustrations voiced by some of our participants were the speed with which debts were sold or bailiffs instructed, and the subsequent charges added to their debt by creditors' agents, which in their minds was out of all proportion with the amount of money they owed. These cases generally related to priority debts, rather than consumer credit debts. As we saw in Chapter Three, Ryan's court fine soared from £30 to over £400 when debt collection and bailiff's charges were added after he missed two week's repayments (even though he had made up the payments by the third week).

Jenny and Ed (who we met in Chapter Five) had a similar experience with their Council Tax debt. With just £50 left to pay of their £1,000 Council Tax arrears, they were charged £250 by a bailiff firm for one



repayment that they were late paying (by a day). They had managed to pay this additional amount, but it was struggle. However, the bailiff's tactics were effective, as it made Jenny determined to pay off the debt so they didn't have to deal with them anymore:

*"I just thought I want to just pay him off and I still am like that now, that I just, they're just, they're just gunning for anybody that is in [debt], they are absolutely criminals." Jenny & Ed*

Our participants' experiences of creditors' agents – notably the seemingly excessive charges that are quickly applied (especially in relation to Council Tax debt) and refusal to negotiate (among financial and non-financial creditors) – echo other research with users of debt advice services,<sup>11</sup> indicating that these are not uncommon practices.

## **6.2 Information asymmetries**

A quite different challenge relates to the information asymmetries that, from our interview data, are evident in the self-negotiation process (both supported and unsupported). An information asymmetry occurs where one party in a transaction has more or better information than the other. In the case of our self-negotiators, they have far more information about their problem debt, its history and their wider financial and personal circumstances than either their creditors (who may only see the debt owed to them) or the advice service supporting them.

As we saw in Chapter Three, all of our self-negotiators already had experience of trying to come to repayment arrangements with their creditors, but generally unsupported by a professional advice service. Some had not progressed very far in their own unsupported self-negotiation, but others had managed to set up repayment plans with at least some of their creditors. There were instances (mainly related to consumer credit debts) where the repayment arrangements reached by self-negotiators without any support might not be sustainable in the longer term, and potentially undermined 'textbook' conditions for further self-negotiation. Nicola for example, in Chapter Five, was repaying £170 per month towards her credit card debt based on her own unsupported negotiations, but was concerned about sustaining this level of repayment. If a person in debt doesn't think to mention these arrangements to an advice service when they seek support – or they think the arrangements are working OK when in fact they might not be (as in Marie's case below) – this risks undermining the supported self-negotiation they later undertake.

### **Information asymmetries in self-negotiation**

Marie is a lone parent in her 40s with credit card debt of around £7,000 across several cards. She had been managing to pay just above the minimum repayment on all her cards, but fell behind with payments on one of them when she was off work ill for eight weeks.

The card firm she owed the money to would not accept any offer of reduced repayment that Marie made herself. With the help of a debt advice provider, after some toing and froing she was able to agree a reduced amount for six months, after which time the payment would increase. Marie wasn't sure how she would manage to pay the increased amount – she just hoped she could afford it. In her own words: *“I'm just taking it up to that stage and then perhaps hopefully at that stage I will be able to manage it, you know... Just cutting back on all the sort of, overall sort of, you know, outgoings”*

At the same time, Marie was continuing to make minimum repayments on her other cards – which she said she had described to the debt advice provider as manageable, but which were almost certainly a sign of financial stress. All in all, while Marie's situation had certainly stabilised, it was not clear what was going to happen longer term. She thought she might re-contact the debt advice provider if she wasn't able to manage – but it might have been better if she contacted them sooner, to work out how she might afford the increased payments or what her options might be if she could not.

As we saw earlier, our stakeholder interviews highlighted an information asymmetry in creditors' knowledge about the 'customer journey' for customers who sought professional support to self-negotiate. Creditors generally did not know, and could find it difficult to track, what advice and support customers had received from an advice service; whether they had followed that advice or not; and if they hadn't – why not? Strategically, this also makes it difficult for creditors to understand whether the outcomes for customers who receive professional support to self-negotiate are better than those who carry out self-negotiation entirely unsupported. Appreciating the requirements of the Data Protection Act when it comes to sharing customer data, there seems an opportunity here to explore how creditors and advice services can work together to create better self-negotiation 'feedback loops'.

### 6.3 Why don't people in debt always follow professional advice?

For the most part, our participants followed the advice they received from National Debtline (or other independent advice service) very closely. National Debtline's surveys show that clients who follow all the steps that an adviser gives them go on to report better outcomes.<sup>12</sup>

There were cases where participants deviated from what they were told, though, or didn't follow the advice at all. Self-negotiators like Olly, for example, followed their own logic when it came to repaying their debts, which was different to the advice they had received. In Olly's case this stemmed from a creditor's refusal to accept his initial offer. Similarly, Richard couldn't follow the advice he was given because one of his creditors (a credit card firm) would not negotiate with him. Karl, on the other hand, did not feel confident enough to make a £1 token payment offer to one of his creditors.

There were also a few cases where participants didn't follow any of the advice they received – either because they didn't accept what they were told (in the case of Stephan) or else they seemed to need a different sort of help (in the cases of Debbie, Amit and Sonya). We explore all these cases in more detail in the following sections.

#### 6.3.1 Paying the biggest debt first

With both Council Tax debt and a large overdraft debt to deal with, Olly decided to prioritise repaying his overdraft debt, even though he had been professionally advised to prioritise his Council Tax arrears. This came about because, after a lot of toing and froing with the bank (which refused his initial £0 token payment offer), a debt collection firm offered Olly a substantial discount on what he owed (rather than the £0 token payment he'd offered). This effectively meant that Olly had to repay the money he'd borrowed but not the charges added by the bank. This was also the biggest debt that he owed, which he was keen to sort out, as he describes here:

*"I should have already paid the Council back first rather than the bank... I just wanted to get the big one out the way." Olly*

Thanks to a busy period of agency work, he managed to repay the £840 that the debt collection firm asked for. Olly's decision may also have been influenced by the fact that the Council Tax debt was owed

jointly by him and his housemates; while the overdraft debt was wholly his responsibility.

### 6.3.2 Creditors won't accept reduced repayments

In Richard's case, he had been advised to make proportionate offers to his non-priority creditors (which comprised his bank and another credit card firm). Instead, he decided to focus on repaying his non-bank credit card (as well as his mortgage arrears) because the card provider would not accept any reduced payment and continued to add interest. His logic was also to pay off his non-bank consumer debt, so that he could focus his attention on coming to an arrangement with his bank for the credit debt he owed them, as he explained:

*"I was thinking as soon as I've paid off the arrears on the mortgage and as soon as my [non-bank credit card] is paid off I've then got more equity to pay off on the other three remaining debts... Because the mortgage is the most important and at the time [non-bank card firm] was charging me more interest than anybody else, so that's why I tried to clear a bit more, well I am clearing them debts the quickest."*  
Richard

As a result, Richard had paid down a significant amount of his non-bank card debt by the time of the interview.

### 6.3.3 Not confident to make a token payment offer

Karl is a single man, working as a security contractor. He is well-paid when he is in work, but has spells out of work, which led to utility and credit card debts. Karl initially applied for a debt consolidation loan from his bank to clear his debts, but was turned down. An adviser at the Job Centre recommended that he contact his creditors, and also suggested he speak to National Debtline, which he did.

With support, Karl successfully negotiated with all his creditors. However, even though National Debtline stressed that it was acceptable for him to offer £1 per month, Karl didn't feel confident enough to do this, and instead offered £10 a month. Although he was managing to make the repayments at the time of the interview, it had been a struggle when he was out of work for a month. As a result, Karl regretted making higher repayment offers than he really needed:

*"I think they [National Debtline] can stress a bit more about just offering the £1.00 a month, that option because I didn't do that option and it was, they did actually stress it to me and I wish I had actually listened to them and just settled for the £1.00 a month. Whether, I don't know if the credit card would have accepted it, but I wish there'd actually been a bit more information about using that option."* Karl

In hindsight, Karl felt that he might have felt more comfortable offering a token payment if he had written to his creditors, rather than speaking to them on the phone.

#### 6.3.4 Don't accept the advice they get

Among participants who wanted support to pursue a particular debt solution (or a managed debt solution), there were several instances where they did not follow much or any of the advice they had received. In the case of Stephan, as we see in the next section, he simply didn't get the advice he wanted to hear (about removing a County Court Judgment from his credit record), and failed to follow the advice that he did receive (to pay his parking fine).

It was also the case that participants like Richard (mentioned above) decided against some of the options suggested to them by professional advice services, in favour of doing something else. Richard rejected the idea of bankruptcy because it would affect his status as company director; and he wanted to clear his debt quicker than it would take with a DMP, as he explained: *"To be honest with you, I don't really want to be in debt for the next 10 years"*.

#### 6.3.5 Needed a different sort of help

For Debbie and Amit, as we discuss below, self-negotiation seemed to be the wrong sort of help, as neither of them had been able to act very effectively on the support they received from National Debtline (or from the other advice services they had contacted).

On the face of it, Sonya seemed a good candidate for self-negotiation – she had a relatively small number of consumer credit debts that had accrued while she was abroad, totally around £3,000. Prompted to contact National Debtline by the threat of a CCJ, Sonya found the telephone advice and printed information she received from them was too generic for her situation, and she took no action. The CCJ was subsequently issued, and Sonya went on to try two different advice services and a legal advice centre – but again these did not seem to offer the help she wanted. As Sonya described:

*“...when you're in the middle of it you're just, you just don't know what you're doing, it's very difficult”.*

Eventually, she accepted advice from a local authority service, and successfully applied for a Debt Payment Plan under the Debt Arrangement Scheme.

#### **6.4 Why don't people in debt always re-contact advice services when they hit a problem?**

Our participants' journeys towards more manageable debt could be long and convoluted. Along the way they may have sought advice and support from more than one independent advice service (and contacted services more than once), as well as talking to their creditors and their agents. By the time we interviewed them, many of our participants had either resolved their problem debt or were on the way to doing so. We look at outcomes in more detail in Chapter Seven.

There were instances where participants were not much further forward, though, even after receiving professional advice and support. We examine the cases of Amit, Debbie, Stephan and Declan to help us understand why participants don't re-contact an advice service for more help, when they hit a problem or progress stalls.

##### **6.4.1 What's the point?**

We met Amit and Debbie in earlier chapters. Both had multiple debts that were complicated by factors such as poor health, low income, frequent house moves (in the case of Debbie), and disputed debts (in the case of Amit). For Debbie, who had moved to the UK from overseas, a poor grasp of the UK's financial system didn't help. By the time they contacted National Debtline, both had been in touch with other independent advice services. Debbie had been to two local debt advice providers (reportedly receiving conflicting advice) as well as setting up, and then withdrawing from, a debt management plan.

Referred to National Debtline by third parties, they were really looking for someone else to deal with their debts for them (possibly by way of a debt management plan, although neither of them was very clear on this), rather than help to self-negotiate. Indeed, the conditions for 'textbook' self-negotiation were largely absent in their cases. Debbie in particular was expecting something different, as she explains:

*"I was hoping for some kind of a resolution but I think the follow up was quite poor, I was kind of just left on my own to deal with it... I guess I was expecting them to support me, yes, because I was so clueless about it really."* Debbie

This partly explains why they had not re-contacted National Debtline for further help. But in addition, both felt they had no money to repay what they owed anyway, which seemed to reinforce their sense that there was little point speaking to an adviser again. In Debbie's words: *"I'd say, right now I'm just burying my head in the sand."* Amit had thought about calling National Debtline, but was holding out in the hope of getting paid work (he was currently a volunteer), so he could make repayment offers for his outstanding debts:

*"I'm just going to wait until once I'm officially on the level that I've got a job now, because then I'm just going to hit, I'm just going to find out who I owe money to and pay it off monthly, say look you get what I give you, not what you want, you know and that's it really."* Amit

#### 6.4.2 Hit a brick wall

Stephan, on the other hand, seemed to have hit a brick wall in his efforts to challenge a CCJ he'd received for his unpaid parking fine. While he could have paid the parking fine (and charges), he had not done so – despite professional advice that he should. What he really wanted was someone to tell him how to remove the CCJ from his credit record – information that he felt he hadn't received. Since contacting National Debtline, he had in fact been in contact with another debt advice provider and done some online research – but he struggled to make sense of the information he'd found on websites and online forums and still had not got to the answer he wanted.

He realised that he would probably end up paying the parking fine, but he seemed blindsided by the long-term negative impact of the CCJ on his credit rating – particularly as he had saved the deposit for a first home and wanted to apply for a mortgage, as he describes here (emphasis added):

*“I think I'm just going to have to bite the bullet and pay it and just wait six years until it clears off, that's it, I don't know. My main goal is to buy a house, I want to buy a house, I've got a deposit ready, I just need to get a mortgage but I can't get a mortgage if I've got an active CCJ, and if I pay the CCJ it still means that I'll probably have very bad terms, so I don't know, that's what, that's the biggest impact on me about the debt... **it's like being financially clamped**, I can't go anywhere, I can't do anything with my finances.”* Stephan

#### 6.4.3 It's my responsibility

Declan's case was different again. With a history of low-paid, irregular work, he had first had a debt management plan (DMP) a few years ago to repay payday loan debt, which he had paid off. He started using payday loans again about a year ago, to pay for Christmas and to cover household bills. He was unable to repay the £1,200 or so he owed, and fell into arrears.

He contacted a debt advice provider and on their advice decided to arrange another DMP. He got as far as completing the paperwork for the plan when he lost his job. He decided not to submit the completed forms, as he could no longer afford the monthly repayment. Rather than get back in touch with the debt advice provider to discuss the change in his circumstances, Declan felt that he should sort things out himself, as he explained:

*“I actually didn't [re-contact the debt advice provider], when I should have to be honest, but at the same time I believe that [debt advice provider] weren't going to take me on in the Debt Management Plan, which I wanted, so I did think that it was up to myself to some degree to address it, you know, address the issue.”* Declan

Without any professional support, he managed to negotiate breathing space for some, but not all, of his payday debts, in the expectation that he'd soon be back in work. Once that happened, he planned to go ahead with a DMP.



## 6.5 What can we learn from these challenges and issues?

Our interview data shows that people in debt can't always be 'perfect' in the way that creditors want – but that creditors and their agents can fall short in terms of their attitudes and behaviour as well, such as flatly refusing to negotiate and charging seemingly disproportionate fees.

Communication is pivotal in self-negotiation – if people in debt and creditors get it right, there is a much better chance of coming to a sustainable arrangement. Get it wrong, and the process becomes unnecessarily protracted and sometimes acrimonious. Good communication hinges on making it simple and low-cost for people in debt to get in touch (and stay in touch e.g. after debts have been sold on), ideally using a communication channel that works well for them. From the creditor side, it's important that processes for secure customer authentication are robust, while not hampering communication with people in debt.

Information asymmetries mean that creditors and advice providers may not have the whole picture of someone's debt situation. This is not because the person in debt is withholding information, but simply because they don't think to mention a debt they've already self-negotiated (without support) or because they can't see risks that might exist in their current arrangements. Similarly, our participants sometimes followed their own logic when it came to putting professional advice into practice; or they decided not to seek further advice, when it might have benefited them.

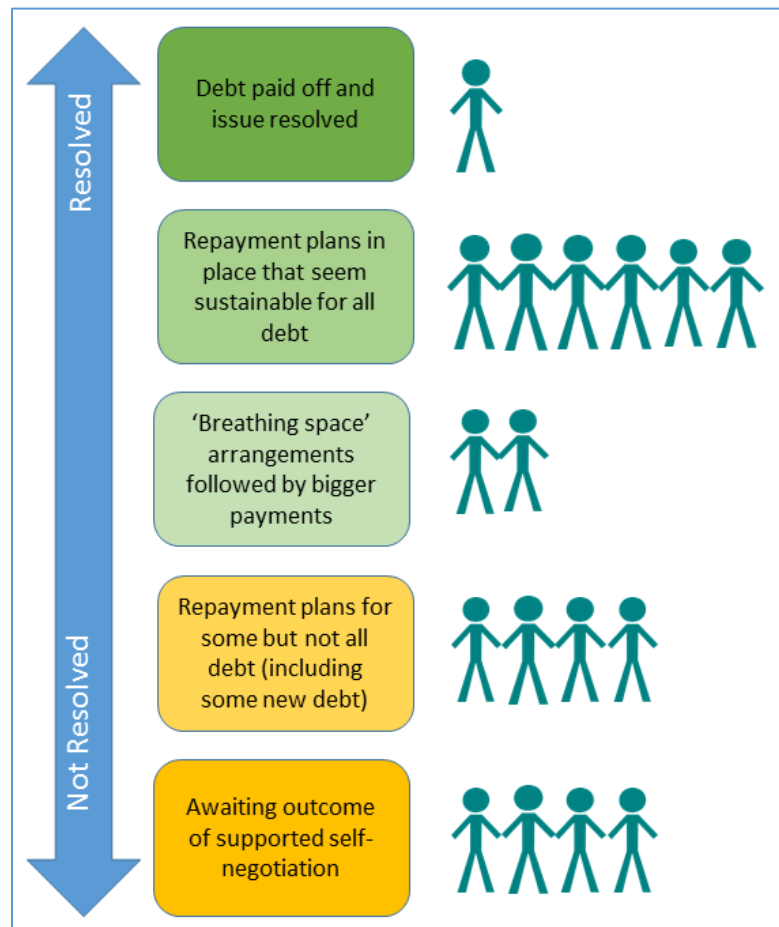
# 7 The legacy of professional support

In this chapter we look at the outcomes achieved by our participants as a result of the professional support they received from National Debtline or another advice service. We also consider the legacy of professional support for participants in terms of money management, consumer credit use and self-negotiation.

## 7.1 Outcomes achieved by self-negotiators

As we saw in earlier chapters, our self-negotiators were all at different stages in their 'debt journey'. By the time we carried out this study, some participants were well on the way to managing their debts thanks to the professional support they'd received, while others were still awaiting the outcome of their actions. Figure 7.1 summarises the outcomes achieved by the 17 participants who received support from National Debtline or another advice service to self-negotiate (each stick figure represents one participant).

**Figure 7.1 Summary of outcomes achieved by self-negotiators**



### 7.1.1 Debt paid off and issue resolved

Only one participant had completely resolved the debt for which they sought professional help, and paid off what they owed. This was Katy, who had owed money to TV Licensing following a mix-up when she moved house. She self-negotiated to pay around half the £130 that TV Licensing originally said she owed, because she was able to prove with professional support that she was not liable for the rest of the money. She had paid this sum off in one repayment.

### 7.1.2 Repayment plans in place that seem sustainable, for all debt

Other participants had also fulfilled what they hoped to achieve from professional support, even if they had not yet repaid their debt. They had repayment plans in place to clear their debts, which they had mainly self-negotiated with professional support. One participant, Hazel (who phoned National Debtline when she literally had bailiffs on her doorstep), was also repaying debts that she had self-negotiated herself before she contacted National Debtline. Although none of them had yet paid off what they owed (and for one or two this would take some time), these self-negotiators were making regular debt repayments which it seemed likely they would be able to sustain, provided their circumstances did not change. In most these cases, some or all of the ‘textbook’ conditions for self-negotiation were present.

### 7.1.3 ‘Breathing space’ arrangements followed by bigger payments

Two of our self-negotiators, Karl and Marie, had with support self-negotiated ‘breathing space’ arrangements for their consumer credit debts (Karl was also making monthly payments towards his utility debt). At the time of the interview, they were both making reduced repayments for a fixed period of time, after which they would either pay off the remaining debts in a lump sum (in Karl’s case, which would be a few hundred pounds) or the repayment amount would increase (in Marie’s case, from £60 to £200 per month for her one credit card debt). Karl felt fairly confident that this arrangement was manageable, as he was now in secure employment rather than a short-term contract. Marie, as we saw in Chapter Six, was less certain, particularly as she was also continuing to make minimum repayments on her other credit cards.

### 7.1.4 Repayment plans for some but not all debt (including new debt)

While they had largely achieved what they wanted from professional support, for a variety of reasons things were a bit less certain again

for Josh, Olly, Nicola, and Jenny and Ed. In all their cases, at least one of the conditions for 'textbook' negotiation was absent; in Olly's case, all the conditions were absent.

With professional support, Josh had self-negotiated plans to pay off his credit card and overdraft debt – the things he had sought help with. While he was able to keep up with these payments, further changes to his benefits meant he had fallen behind with his energy bill. He was getting help from a local advice service (that provided specialist support for young adults like Josh) to apply for a grant to clear his energy debt. He had used this service in the past to help him sort out his benefits.

As we saw in Chapter Six, after getting professional support Olly decided to clear his overdraft debt (which he had done by the time of the interview), but had not dealt with his Council Tax debt (which he also discussed with National Debtline) or any of the other household bills that he and his housemates owed. Still cycling between low-paid agency work and Universal Credit, Olly was pinning his hopes on getting a permanent job to sort his money troubles out. Low income was really at the root of his problems – he was already a very careful money manager, the professional support just made him more conscious of its importance.

In Nicola's case, she had been keeping up with the repayments on her Council Tax debt (the debt for which she sought professional support), but was struggling to manage the credit card debt repayments she had negotiated herself – and in fact had missed one or two payments to the card firms. As a result, she still didn't feel 100% in control of her finances, and wasn't sure what would happen next.

Jenny and Ed were in a similar position to Nicola. Having been struggling to manage for some time, with professional support they had come to an arrangement to pay back their Council Tax arrears as well as their utility and overdraft debts (which they were doing). But at the time of the interview, they were also a month behind with their current Council Tax bill, and had failed to pay on the final demand. Jenny was determined they would clear that debt before the upcoming court hearing. For them, low and fluctuating incomes meant it was difficult to get on top of their finances, even with professional support, as Jenny explained:

*“... there's nothing at the end of the month, you know, I think we're just a family that 'means must' and it's just as soon as you get it, it's gone.”*  
Jenny & Ed

#### 7.1.5 Awaiting outcome

Our last four self-negotiators had generally received the professional help and support they wanted but were still awaiting the outcome of their actions at the time we spoke to them. Jane was waiting for the court hearing related to her solicitor debt, which she hoped would result in the debt being written off based on the evidence she had provided. Mandy was still being contacted by her lenders while she waiting for a GP letter about her, which she hoped would support her request for debt write-off. Failing that, she thought she might apply for an Individual Voluntary Arrangement (IVA).

Having identified poor practice on the part of his debt collection firm, Ryan was waiting for the debt to be referred back to court and the firm's charges hopefully removed. Richard was still in the process of trying to negotiate his consumer credit debt with his bank (the issue he'd sought professional help with quite recently), while making good progress repaying his mortgage arrears and non-bank credit card debt. For Richard, the prospect of more time off work due to health problems added greater urgency to his desire to sort things out.

## 7.2 Outcomes achieved by participants looking for support to pursue a particular debt solution

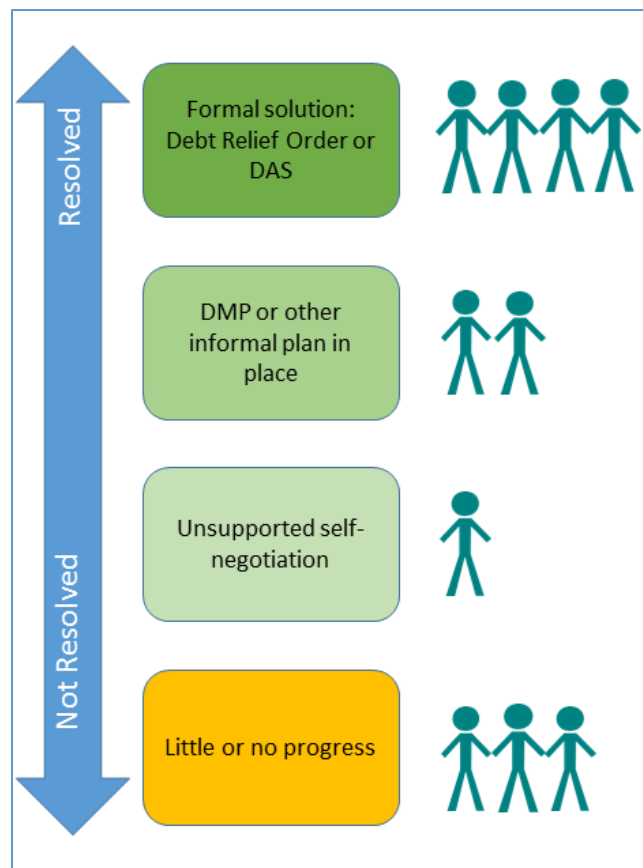
Among the 27 participants we interviewed were 10 who did not want support to self-negotiate, but rather wanted help to pursue a particular debt solution or for an advice service to negotiate on their behalf. Given their circumstances, this seemed to make sense – for most, the 'textbook' conditions for self-negotiation were absent, either because of the size and nature of their debt, or because they were not motivated or capable to deal with the debt themselves.

The outcomes for these participants are summarised in Figure 7.2 (each stick figure represents one participant). Most of these participants had successfully achieved what they wanted – either a formal debt solution (in the form of a Debt Relief Order or Debt Arrangement Scheme Debt Payment Plan), a debt management plan or a payment plan negotiated on their behalf by an advice service. As we saw in Chapter Six, Declan was at the time of the interview self-negotiating without professional support to repay his consumer credit debts, having decided to put his DMP application on hold due

to job loss. He might have benefited from professional support to self-negotiate but had not (as yet) sought any.

For reasons that we also discussed in Chapter Six, Amit, Debbie and Stephan had not really got what they wanted from professional advice. They had made little or no progress getting their debts sorted out – Stephan because he was resistant to paying his parking fine until he'd managed to remove the CCJ from his credit record (despite professional advice that his priority should be to pay the parking fine). Both Amit and Debbie had made various attempts to get on top of their debts, but at the time of the interview these efforts had ground to a halt. Both appeared to need a greater amount of professional support to sort out their multiple debts that were complicated among other things by poor health, lack of money to repay what they owed, disputed liability (in Amit's case), and several house moves in quick succession (in Debbie's case).

**Figure 7.2 Summary of outcomes achieved by participants looking for support to pursue a particular debt solution**



The following sections consider the legacy of professional support, in terms of positive changes to money management, attitudes to credit and further self-negotiation. The legacy of professional support for individuals was not always correlated with the outcomes they had achieved to date, reinforcing the fact that for some the journey to debt resolution (or even debt management) can be long and winding.

### 7.3 Supporting better money management

For a good many of our participants, their problem debt either did not relate to money management at all, or else resulted from changes in income. Some participants did acknowledge that over-spending and poor financial management were contributory factors in their debt, however; this was sometimes linked to mental health problems or gambling addiction.

As we saw in Chapter Four, going through the Income & Expenditure process with a professional adviser was an important step for many of our participants in getting to grips with their debt. Evidence that professional advice supported better money management came in a number of forms. For self-negotiators Josh and Katy, it prompted them to set up new bank or savings accounts so they could put aside money for their important household bills.

For other self-negotiators, like James, it made them wake up to the fact that they needed to adjust their spending to match their income – and if their income changed, this needed to happen sooner rather than later. Practical steps that participants had taken to cut their spending included cancelling mobile phone contracts and magazine subscriptions, downgrading subscription TV packages and just generally trying not to spend money they didn't have. This could include cutting back on socialising, but as Olly described this had downsides too:

*“Yes it puts you in a little bit of a pigeonhole because you can't do what say your friends are doing on the Saturday, you know... because then you go to your friends, you go I've got no money, next week I've got no money again and it's like what's wrong with you, I'm in debt, if I go out again I'm going to be in more debt.”* Olly

Hazel felt much more on top of things now she knew how much disposable income she had. Tom (who got help from a debt advice provider to set up a payment plan for his credit card debt) was also more careful what he spent, regularly checked his bank statements and felt that *“I appreciate the value of money now”*.

## 7.4 Supporting new attitudes to credit

Not everyone's debt problems related to consumer credit debt, but where they did, there was some evidence of new attitudes to borrowing and credit use.

Among participants who were strongly against using consumer credit again, several had applied for a Debt Relief Order or other formal debt solution – which would in any case limit their access to credit for a period of time. Sonya, who had inadvertently accumulated bank and card charges when she was out of the country, was repaying her debt through Scotland's Debt Arrangement Scheme and described how: *"I live life now, where if I've got it I've got it, and if I haven't got it, I haven't got it."*

Jackie, who had applied for a Debt Relief Order, wanted no more credit either, but was also conscious that she would probably have to move to a pay-as-you-go mobile phone because her poor credit rating would stop her renewing the contract she had.

Among our self-negotiators, while they were wary of repeating their past mistakes, several saw the value of having a credit card for use in emergencies – including Marie and Karl who both still had credit cards they could use. Nicola clearly had mixed feelings about her lack of access to credit, even though she was struggling to pay back what she'd agreed (without professional support) on her credit cards:

*"I suppose that's a good thing so I don't get myself into a mess, but in another sense my... house needs a lot of work doing on it."* Jackie

Similarly, Richard had been trying to cut back on his credit use while he got his debts under control, and as a result had been unable to make essential repairs to his house.

## 7.5 Supporting further self-negotiation

There were several instances where our self-negotiators had been able to put what they learned from professional support into further action – either on their own behalf or for friends. James, for example, was able to successfully re-negotiate his debt repayment when his loan firm went into administration and the debt was sold on, using the templates and techniques he had acquired, as he describes below (emphasis added):



*"I can't remember the name of the new company, but yes **I just used the same template letter** and advised them that I was speaking to [loan firm] some time before and this is the same situation that I'm in, so I'm still willing to pay but I can't afford the amount that like was agreed in the early years when my wages were better... **they tried to renegotiate during the conversation and I said this is where I'm at, this is what I've got**, now I've had advice from [debt advice provider], I've had advice from [National Debtline] and this is, this is where I'm at, so and then, you know, I was told that if my circumstances do change then contact them." James*

Since talking to National Debtline, Josh had called a friend's bank on their behalf to successfully challenge unauthorised overdraft and returned item charges, which required some persistence as he describes below (emphasis added):

*"When I made that call the bank was like, we do do this but we charge £10.00 per month, that's what I've heard from my own bank as well and **what I said to them is, no, they can't afford that that's why we're ringing you, we can't afford to pay you £10.00 a month...** and he went away and like 'oh of course we can do that'. **Someone else gets through to that and they get told about 5 times no, they give up, well of course who wouldn't give up.**" Josh*

He had also shared National Debtline's template letters with other friends to use in their discussions with creditors; and helped someone to negotiate debt repayments for their energy debt, advising them to offer what they could afford based on an Income & Expenditure budget sheet.

## **7.6 What can we learn from these outcomes and legacies?**

There were a handful of participants who had made little or no progress sorting out their problem debt after receiving professional support. Most, however, had made progress in terms of what they wanted to achieve from professional support. This typically meant they had debt repayment plans in place for at least some if not all their debts, or they had applied for a formal debt solution.

Getting what they wanted from professional support did not always equate to participants getting their financial situation completely under control, however. We saw examples where unsupported self-negotiation threatened to undermine participants' progress longer-

term; as well as new debts as a result of changes to benefit income or low income.

The positive legacies of professional support included better money management (where this had been an issue in the past); new attitudes to consumer credit; (where consumer credit had been part of the debt problem); and evidence of participants self-negotiating on their own behalf or for others. Reflecting the financial circumstances of our participants, there was little mention of positive changes to saving behaviour, except in cases where participants had started putting money aside for household bills, when they had not done this before they received professional support.

## 8 Learning and implications

This report sets out the realities of dealing with problem debt, through the eyes of people who have experienced it either as a self-negotiator or someone looking for a managed or formal debt solution. The interview data highlights the diversity of problem debts that people have, and that independent advice services have to deal with – from single priority debts with a complex back-story, to multiple consumer credit debts that have built up over time. The lived experience of our participants trying to deal with problem debt themselves could be messy, time consuming, stressful and sometimes frustrating. The value of professional support from National Debtline (and other advice services in some cases) was to give people the connection, mindset and ability to self-negotiate or follow another course of action. In this final chapter, we draw together some of the key learning from the study and the implications for advice services, creditors and their agents. The learning and implications are summarised in Figure 8.1.

### 8.1 There's no such thing as the 'perfect person in debt' or the 'perfect creditor'

The interview data shows that people in debt can't always be the 'perfect person in debt' that creditors want – but that creditors and their agents can fall short in terms of their own attitudes and behaviour as well, such as flatly refusing to negotiate; charging seemingly disproportionate fees; and failing to signpost people to independent advice. There were also many instances where participants valued the positive response they received from creditors (typically FCA-regulated financial services firms) or their agents – which shows that better is possible.

The implications here lie squarely with the FCA, as the conduct regulator for financial services firms, to ensure that regulation works for people in debt, and that firms treat customers fairly. In relation to non-financial services creditors, responsibility notionally lies with central and local government. Central government has been working with the advice sector to improve fairness in government debt collection, but its remit is relatively narrow (for example it does not cover local government debt collection). Based on the experiences of our participants (and other evidence), this is an area where urgent reform is required to avoid creditor action undermining people's journey to debt resolution, but also outcomes for other creditors.

## **8.2 What do we mean by ‘dealing with debt’?**

The findings challenge what we mean by ‘dealing with debt’. Our self-negotiators were self-diagnosed to a great extent, and focused on dealing with the debt or issue that was important to them at that time. They were not necessarily thinking about the ‘bigger picture’, such as other debt repayment plans they had negotiated without professional support, or lines of credit they still had access to. Bar a few, most of our participants had made what they considered good progress sorting out their debt, but that did not necessarily mean they had dealt with all their debts or that their finances were stable. Progress could be incremental, piecemeal and in some cases fragile.

The implications here lie mainly with advice services and the people they help, to re-balance the information asymmetries that mean that creditors and advice providers may not have the whole picture of someone’s debt situation. Disclosure of the ‘full picture’ of someone’s financial situation (and further changes to it) forms a sound basis for sustainable repayment plans. It might involve, for example, advice services making sure they review any arrangements that the person in debt has made themselves; or strongly encouraging them to come back for further help if their circumstances change; or, as we discuss below, advice services proactively checking-in with self-negotiators to see how they are managing.

## **8.3 Are ‘textbook’ conditions for self-negotiation present or absent?**

On the side of the person in debt, our analysis shows there exist ‘textbook’ conditions that can help determine the likelihood that supported self-negotiation is suitable for an individual. These are a combination of debt portfolio, disposable income, motivation and capability. There seemed to be a correlation between these three factors, and the outcome of an individual’s efforts to sort out their debt, both with and without professional support. This potentially has implications for advice services (and possibly also creditors), who could incorporate these conditions more explicitly into their assessment of people who present in financial difficulty, in order to help them appropriately – for example in a pilot scheme.

## **8.4 Communication is crucial**

Our interview data shows that communication is pivotal in resolving problem debt. Get it wrong, and the process can become unnecessarily protracted and sometimes acrimonious. Get it right,

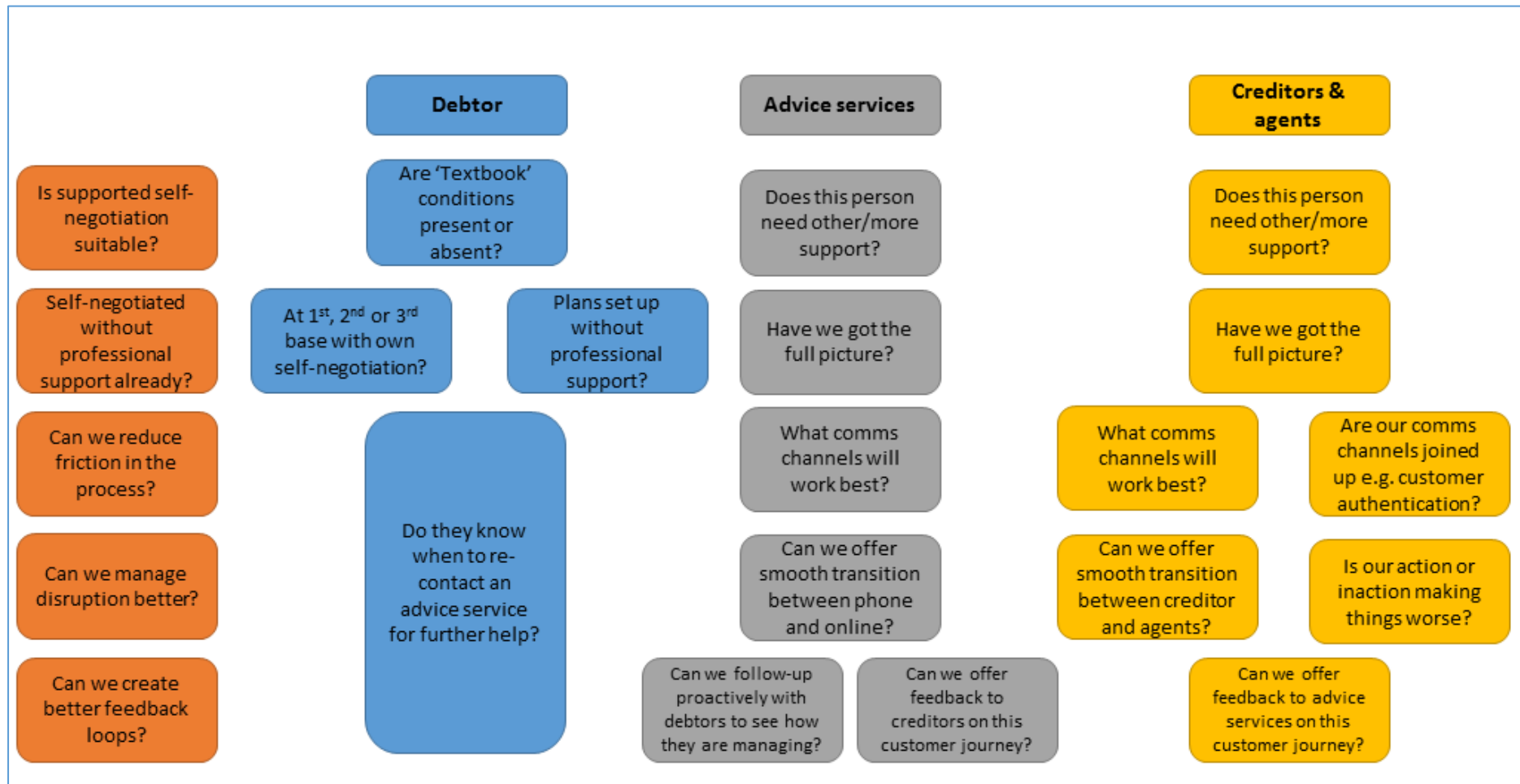
and there seemed a much better chance of coming to a sustainable arrangement. The right communication channel could also make a big difference for participants who, for example, found it difficult to speak on the phone.

The implications here apply equally to advice services and creditors. Good communication involves making it simple and low-cost for people in debt to get in touch (and stay in touch e.g. after debts have been sold on or when they need further advice), ideally using a communication channel that works well for them. Being able to share and discuss documents with an adviser would also have benefitted some of our participants. From the creditor side, it's important that processes for secure customer authentication are robust, while not hampering communication with people in debt.

### **8.5 Important feedback loops are missing**

The interview data highlights an opportunity to explore how better 'feedback loops' could potentially benefit people in debt, advisers and creditors. At present these are largely lacking – advisers don't feed back to creditors on the outcomes of advice, for example, and people in debt don't always feedback to advice services or creditors when their circumstances have changed or they've stalled in their progress. Largely for resource reasons, advice services do not routinely check-in with the people they've helped to see how they are getting on and whether they would benefit from some further advice or support. Creating better feedback loops offer a way for advice services and creditors to input learning into their systems and processes so they produce better outcomes for more people in the longer term.

Figure 8.1 Summary of learning and implications



# Appendix

This appendix provides further details about the research methods used in the study.

We recruited a total of 27 participants via two methods. The 22 interviews we conducted in England, Scotland, and Wales were invited by email to participate in the research. The Money Advice Trust and National Debtline emailed clients who fulfilled the following criteria:

1. The client contacted National Debtline for telephone advice a minimum of 12 weeks and a maximum of 52 weeks ago.
2. According to National Debtline's records, the client was not referred by National Debtline to a course of action that involved third party payment distribution (i.e. DMP) or personal insolvency (Bankruptcy, IVA, DRO) or DAS in Scotland.
3. The client agreed to be re-contacted by National Debtline.
4. The client lived in one of the geographical areas selected for the fieldwork (Birmingham, Bristol, Nottingham, Cardiff, Glasgow).

Following the email, National Debtline clients who expressed interest in participating in the research were contacted by the Money Advice Trust, who gave them further information about the study and what an interview involved. The client's details were then passed to the Personal Finance Research Centre to arrange a convenient interview time.

National Debtline had comparatively few clients in Northern Ireland who met criteria 1-3 listed above. For this reason, the five interviews we conducted in Northern Ireland were recruited using a professional fieldwork agency, on the basis that they had attempted some form of self-negotiations with at least one creditor, subsequent to receiving advice from a third party.

The fieldwork was carried out between December 2016 and February 2017. The interviews in England and Wales were conducted face-to-face; in Scotland and Northern Ireland by phone. The interviews were typically between 30 to 45 minutes long, and were conducted using a topic guide (see below). All participants received £40, as a thank-you for their time (which is a standard procedure in qualitative research).

A profile of the 27 people we interviewed is provided in Table A1 below. The interviews were recorded with the participants' permission, fully transcribed, and analysed thematically.

In addition, we conducted three telephone interviews with creditor representatives (financial services firms and non-financial creditors), to understand self-negotiation from their perspective and the challenges and issues they felt customers and creditors faced when dealing with self-negotiation. These interviewees were identified by the Money Advice Trust through its network.

**Table A1 Profile of 27 people in debt who were interviewed**

<b>Characteristic</b>	<b>Number of participants</b>
Women	15
Men	12
<b>Age</b>	
Under 30	7
30-50	16
50+	4
<b>Family situation</b>	
Single, no children	11
Single, dependent children	4
Couple, no children	3
Couple, dependent children	9
<b>Location</b>	
Belfast/Lisburn	5
Birmingham	9
Bristol	6
Cardiff	2
Glasgow	3
Nottingham	2
<b>Contact with National Debtline</b>	
Pre-summer 2016	17
Post-summer 2016	10



## Interview topic guide for people in debt

### 1. Introduction

- From PFRC, University of Bristol
- Independent research, commissioned by the Money Advice Trust, which runs National Debtline
- Study of people's experiences and views of negotiating with their creditors, following the advice they received from National Debtline. The Money Advice Trust/National Debtline is keen to understand what it can do to improve people's experiences and outcomes.
- Confidential, anonymised,
- Lasting around 45 minutes; thank-you of £40
- Recording to ease note-taking; destroyed once project is completed.
- Questions?

### ASK FOR QUOTA PURPOSES AND KEEP A RECORD:

#### How long ago did they contact National Debtline about this debt problem?

- Between three and six months ago (i.e. roughly between May and August this year)
- More than six months ago (i.e. roughly before May this year)

### 2. You and your household

- Age/Who live with, number/age of children
- Current circumstances
  - Housing tenure
  - Work situation/partner's work situation
  - Regularity and flexibility of income
- Significant changes in circumstance as a result of your debt problems
  - Or any other reasons?

### 3. Brief history of their debt problems

- When did your debt problems begin?
  - Main cause of problems?
  - Types of credit used/ level of arrears?
  - Priority vs non priority?
  - Prioritising of commitments?
  - Was your debt rising or steady?
  - At what point did you feel you needed help? Why?

- Did you take any action before seeking advice?
  - Why this? What did you expect or hope to happen?
  - What did happen and was the outcome?
  - How did that make you feel – about your debt situation? About your ability to deal with it yourself?
- Did you look anywhere for information or advice before contacting National Debtline?
  - Other Advice provider?
  - Internet
  - Family or friends?

#### **4. What they wanted from an advice provider**

- Before you contacted National Debtline, what kind of help were you looking for?
  - Spontaneous then probe self-help vs. advisor negotiating on behalf of client vs. other
- What did you know about National Debtline before you made contact?
  - What help were you expecting from them?
  - Did they understand National Debtline was a ‘self-help’ advice service and what that meant?
- What triggered your contact with National Debtline
  - Was it an active choice to go for a self-help service? Why?
  - Had you considered or contacted other services before National Debtline? What happened?

#### **5. Their contact with National Debtline**

- What happened when you contacted National Debtline?
  - How many times in contact?
  - Telephone vs. email vs. website?
  - Information from website? My Moneysteps?
- What advice were you given? Probe for details e.g. how much to offer creditors in repayments, what communication channels to use (writing vs phone vs email), what language/terminology to use
- Was it clear and understandable? If not, why not?
- Did you do a budget sheet with the advisor? Or by yourself?
- Did you receive materials through the post to support the advice?
  - Did you read / use these? Why not?
  - Were they clear and understandable? Any improvements?
- How did you feel about the people you spoke to at National Debtline?

- When you came away from the call, how did you feel about dealing with your creditors yourself? (e.g. did you feel well-equipped, supported, empowered or were you anxious or concerned about it). Was there anything in particular that made you feel this way?
  - How confident were you after the call about being able to sort things out yourself? Did this seem realistic? Why?
  - Did you feel differently about dealing with different creditors?
    - Which ones and why?

## 6. Negotiating with their creditors

- What happened when you contacted the creditors?
  - How many different creditors? Priority vs non priority?
    - (for each)
    - By telephone/ letter?
    - Response? – quick/ needed to be chased
    - Attitude of creditor
    - Were there any setbacks? What? Able to be overcome them?
    - Eventual outcome?
- How closely did you follow the advice from National Debtline?
  - Did you use any of the materials NDL provided? Sample letters, budget sheets? If so, what was most useful
  - Was there any information or advice from National Debtline (or anywhere else) that was particularly helpful?
  - Were there any particular hurdles they experienced and did you manage to overcome them?
  - If didn't follow some/all of NDL advice, why not?
- How did you feel about things as you negotiated with their creditors? Did your feelings change over time? In terms of confidence? Likely outcome?
- What was the response like from the creditor(s)? Differences between them? How did each type of response make you feel? And did it affect how you felt about the creditors?
- Are you still in ongoing contact with any of your creditors?
  - Who is instigating it?
  - Letters/phone/other?
  - How is it going? Welcome or not? Helpful?

## 7. Current state of play with their debt problems

- To what extent do you think you have got things under control or not?
  - If making repayments, how easy/difficult to manage these and how well are they managing? Anything that's made it easier/more difficult?
  - If consumer credit debts, are they still using credit or not? If they are, what for and how do they feel about it?
  - Are there any debts they haven't dealt with at all? If there are, why is this?
- If not, what's standing in the way?
- What more do you need to do and what plans do you have to do it (if any)? Any plans to speak to NDL again or another advice service?
- How are you feeling about your situation? Positive? Negative? Why?
- How do you see things panning out over the next 3-6 months?

## 8. Their views about negotiating with their creditors

- In hindsight, have things worked out as you expected? What's been better/worse/different?
  - Based on what you know now, what would you do differently?
  - What advice would you give to other people who are thinking about negotiating with their creditors themselves? Would you recommend it or not?
- Has the experience of negotiating with your creditors affected how you feel about your debt problems and your future financial situation?
  - Probe for effects on their health and wellbeing and that of people around them
  - Better financial management overall?
  - Other benefits/added value from the help they got and their own experience of self-negotiation
- Is there anything in particular you would like us to pass back to the Money Advice Trust/National Debtline about your own experience of negotiating with your creditors yourself?

Is there anything else you would like to add, that hasn't been covered? Thank and close

# References

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- <sup>1</sup> Money Advice Service and CACI, *A Picture of Over-indebtedness* (2016). Available at: [https://masassets.blob.core.windows.net/cms/files/000/000/337/original/MAS\\_Report\\_10.03.2016.pdf](https://masassets.blob.core.windows.net/cms/files/000/000/337/original/MAS_Report_10.03.2016.pdf) [accessed 10 February 2017]. People were defined as over-indebted if they had missed bills or payments in three of the last six months or they felt their debts to be a heavy burden.
- <sup>2</sup> See also: Sharon Collard, Colin Kinloch and Sarah Little, *Debt Solutions in the UK: Draft opportunities for change* (2017). Available at: <https://www.moneyadvice.org.uk/en/corporate/draft-opportunities-for-change-debt-solutions> [accessed 13 February 2017]
- <sup>3</sup> In the case of the five respondents we interviewed from Northern Ireland, they had sought advice either from CAB or StepChange Debt Charity.
- <sup>4</sup> In addition to interviews with self-negotiators, we conducted a small number of telephone interviews with creditors, to get their perspective on the value and challenges of self-negotiation. These interviews informed our analysis but we have not included the findings in the report.
- <sup>5</sup> See, for example, Elaine Kempson, *Over-indebtedness in Britain: A Report to the Department of Trade and Industry* (2002). Available at: <http://www.bristol.ac.uk/media-library/sites/geography/migrated/documents/pfrc0203.pdf> [accessed 21 February 2017]; and more recently StepChange Debt Charity, *Navigating the New Normal Why working families fall into problem debt and how we need to respond* (2016). Available at: <https://www.stepchange.org/Portals/0/documents/media/reports/StepChange%20Debt%20Charity%20New%20Normal%20report.pdf> [accessed 21 February 2017]
- <sup>6</sup> Names and some personal details have been changed to protect respondents' anonymity.
- <sup>7</sup> Ministry of Justice, *Taking control of goods* (April 2014). Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/353396/taking-control-of-goods-national-standards.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/353396/taking-control-of-goods-national-standards.pdf) [accessed 18 August 2017]
- <sup>8</sup> FCA, *Consumer Credit sourcebook Chapter 7 Arrears, default and recovery (including repossessions)* (2017). Available at: <https://www.handbook.fca.org.uk/handbook/CONC/7/3.pdf> [accessed 21 February 2017]
- <sup>9</sup> *The Financial Capability Strategy for the UK* (2015), page 11. Available at: [https://prismic-io.s3.amazonaws.com/fincap-two%2Fd176f87b-48f9-4344-9d26-afc4df5d86f5\\_uk+financial+capability+strategy.pdf](https://prismic-io.s3.amazonaws.com/fincap-two%2Fd176f87b-48f9-4344-9d26-afc4df5d86f5_uk+financial+capability+strategy.pdf) [accessed 4 March 2017]
- <sup>10</sup> National Debtline and Business Debtline send their information packs by email, by default.
- <sup>11</sup> See, for example, StepChange Debt Charity, *Creditor and Debt Collector Conduct: What's Making Debt Problems Worse?* (July 2016). Available at: <https://www.stepchange.org/Portals/0/documents/Reports/stepchange-creditor-and-debt-collector-conduct-july2016.pdf> [accessed 2 March 2017]
- <sup>12</sup> Survey of National Debtline callers who contacted the service six weeks earlier.